Spot Foreign Exchange Sales and Trading Practices and Disclosures
September 2019

A. Purpose

In line with our commitment to transparency and disclosure, The Bank of New York Mellon and The Bank of New York Mellon SA/NV (together “BNY Mellon”) would like to highlight certain points about the way in which BNY Mellon prices FX spot orders and transactions, the way in which BNY Mellon carries out specific FX orders and transactions, and the ways that client information is used.

B. Supplemental disclosure

This disclosure supplements any other disclosures or agreements regarding such matters as BNY Mellon may provide to or agree with the client from time to time, including, without limitation, any pricing agreements, pricing descriptions, pricing disclosures, terms of business, order execution and handling policies, master agreements for financial transactions between a client and BNY Mellon (including but not limited to any ISDA Master Agreement), BNY Mellon’s general disclosures as a swap dealer, risk disclosures (or such other disclosures as may be advised by BNY Mellon from time to time), adherence of parties to industry protocols, trading venue terms or entry by parties into bilateral agreements. In the event of any inconsistency between this disclosure and any such other disclosures or agreements, such other disclosures or agreements shall prevail to the extent of the inconsistency.

C. Disclosure updates

BNY Mellon will be keeping its product descriptions, terms of business and disclosures under review and may communicate further updates on the BNY Mellon website from time to time. The BNY Mellon disclosure page can be found at FX Disclosures Portal. Nothing in this disclosure is intended to conflict with or override any relevant law or regulatory rule or requirement in any jurisdiction in which BNY Mellon or an affiliated BNY Mellon entity operates. This disclosure is based on BNY Mellon’s internal practices and procedures as well as published market codes and applicable laws, rules and regulations.

D. Applicable transaction scope

FX spot transactions

The terms of this disclosure are intended to apply solely to the entering into and ongoing discussion, handling, execution and processing of FX spot transactions and orders, except as otherwise expressly agreed between the BNY Mellon Markets FX Business and the client or otherwise required by law or regulation.

The term “FX transaction” as used in this disclosure is intended to cover both requests for quote from the client, either through a proprietary or third-party electronic platform, or through direct dealing with an FX Sales person and client standing orders, either through direct dealing with an FX Sales person or as part of a product of FX Services.

A “request for quote” is a client request for the price at which BNY Mellon would at that time be willing to trade, and is indicative. The client can use its discretion to
make an offer to trade on that price, which BNY Mellon may or may not accept depending on factors affecting the validity of the price. BNY Mellon may also provide a client with a continuous stream of pricing for a specified window of time.

An “order” comprises a client providing an actionable instruction to execute an FX transaction within specific parameters. The order will be executed in line with market conditions and convention. An order is live upon receipt and confirmation unless otherwise specified. Some terms of this disclosure will apply only to the execution of client orders and will be identified as such.

**FX spot transaction dealing**

BNYM may receive requests for quote or orders either through direct dealing or electronic platforms, as follows:

a) direct dealing – trading with counterparties by phone or electronic format (e.g., email, fax, authorized institutional Instant Message Systems (chat)) or direct API; or

b) electronic platforms – electronic trading platforms for trading with counterparties that include multi-bank Electronic Communication Networks (“ECN’s”) or multilateral trading facilities (“MTF’s”).

**BNY Mellon conducts a global FX business**

BNY Mellon conducts FX transactions, acting as a market-maker servicing clients’ needs, by maintaining a global risk management strategy. The Markets FX Business shall seek to ensure uniform client experience globally and to deliver consistent price formation across all regions, to the extent practicable.

**E. BNY Mellon acts in a principal capacity**

Unless otherwise expressly agreed, BNY Mellon will act as a principal in FX price quoting, order taking, execution and other related activities whether through standing pricing programs and agreements or trade by trade negotiations and there is no obligation on BNY Mellon to execute a trade or order until both parties are in agreement.

BNY Mellon does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of the client and thus does not undertake any of the duties that an entity acting in that capacity ordinarily would perform, unless otherwise explicitly agreed between BNY Mellon and the client. BNY Mellon does not serve as broker or agent to clients.

BNY Mellon or its affiliates may act in a different capacity in respect of other services they provide to the client (for example, we may be a custodian or trustee for other services). However, in connection with executing negotiated and electronic FX spot transactions, BNY Mellon is a principal counterparty, unless otherwise agreed.

Irrespective of its role, BNY Mellon will behave with integrity to support the effective functioning of the FX market and will not enter into transactions with the intention of disrupting the market.

i) **BNY Mellon earns revenue on FX transactions**

While BNY Mellon provides quotes with the intent to enter into an FX transaction, the prices quoted by BNY Mellon are indicative.

BNY Mellon earns revenues on FX transactions based on, among other things, the difference between the rate on the FX transaction with the client and the rate that BNY Mellon pays and receives for purchases and sales of currencies for the purpose of risk managing client FX transactions. Such revenue is to compensate BNY Mellon for the market risk taken, costs incurred and services rendered to a client.
When pricing and executing trades BNY Mellon takes into account many factors including its overall inventory strategy and overall risk management strategies, costs, risks and other business factors and objectives. BNY Mellon engages in these market making activities as principal for the benefit of the Firm, and seeks to generate profits as a result.

As the FX market can be volatile, any price quoted by BNY Mellon is subject to change within a short amount of time.

F. Information sharing

i) Confidential Information

BNY Mellon is expected to protect confidential information and, support a robust, fair, open, liquid and appropriately transparent FX market. Confidential information includes information relating to the past, present, and future sales and trading activity or positions of BNYM or any of our clients, including related information that is sensitive and is received or produced in the course of such activity.

Protecting the confidentiality and security of client information is an important part of how BNY Mellon does business. BNY Mellon has policies and controls that are designed to protect a client’s confidential information. However, a client should understand that BNY Mellon makes use of information provided to it as principal in order to effectuate and risk manage transactions including disclosure to agents and market intermediaries (such as brokers or trading platforms whether internal or third party), or other parties to the extent necessary to execute, process, novate or settle a transaction.

Specifically, unless otherwise agreed, BNY Mellon may use the economic terms of a transaction (but not the client’s identity) in order to source liquidity and/or execute risk-mitigating transactions. In addition, as part of its obligations as a regulated entity, BNY Mellon also shares client information (including personal data of employees and representatives of client and its affiliates and/or subsidiaries) as required or permitted by applicable law, its global regulators, and to its branches, representative offices, affiliates and/or subsidiaries, swap trade data repositories, and other third parties involved in the provision of services for purposes of the transactions and other legitimate business activities as well as for client relationship management.


With regard to executed transactions, BNY Mellon analyses this information on an individual and aggregate basis for a variety of purposes, including client risk management, sales coverage, and client relationship management.

ii) No recommendations or investment advice

Any statements in connection with FX transactions provided by BNY Mellon should not be construed as recommendations or investment advice unless they are specifically described as recommendations or advice. A client is expected to evaluate the appropriateness or suitability of any transaction or trading strategy based on the client’s own assessment of the transaction’s merits, risks and all facts and circumstances in connection therewith.

iii) BNY Mellon may disseminate market colour

As part of the provision of services to clients and for internal purposes, BNY Mellon is involved in collating market data in the markets in which it operates. This can involve looking at a number of factors and data sources, including economic and political developments, jurisdictional issues, trading patterns and pricing.
From time to time, BNY Mellon may aggregate client order information to provide colour on the general state of, and trends in, the market either internally or externally to clients. BNY Mellon will endeavour that client information is appropriately aggregated and anonymized, and that any confidential information or the anonymity of a client is not compromised.

iv) **BNY Mellon will be clear and accurate in its client communications**

To ensure that communications are easily understood by the client, BNY Mellon will use terminology and language that is appropriate for the audience and will avoid using ambiguous terms.

v) **Last Look**

Information relating to client trade requests received during the “Last Look Window” is considered confidential information. BNY Mellon's Last Look Disclosure is located on its Disclosures Portal.

G. **Conflicts of interest**

BNY Mellon will identify any actual and potential conflicts of interest, eliminate these conflicts or, if this is not possible, effectively manage them. In certain circumstances, it may be necessary for BNY Mellon to cease to act for a client in relation to an order.

BNY Mellon will not use information relating to any or all pending client orders or to the disadvantage or advantage of a client and other than for the purpose for which it has been received, in line with its overall risk management strategy.

i) **Hedging transactions and pre-hedging client orders**

Unless otherwise prohibited by applicable regulation, we may engage in hedging or other positioning activity for our own account before or after the provision of a price to the client for a transaction in order to manage our exposure under that transaction, our general market risk, or other trading activities. Such activity may impact the price received by the client. Any profits derived from these trades will be retained by BNY Mellon.

Pre-Hedging is the management of the risk associated with one or more actual or anticipated client orders, designed to benefit the client in connection with such orders and any resulting transactions.

BNY Mellon may pre-hedge for such purposes in a manner that is not intended to disadvantage the client or disrupt the market. Pre-hedging will be limited to such levels as necessary to manage risk related to a client order's exposure or anticipated exposure. While undertaking pre-hedging, BNY Mellon may continue to conduct on-going business, including risk management, market-making, and execution of other client orders.

ii) **Market Maker**

Where BNY Mellon acts as a market maker and is managing orders for multiple clients whose interests may conflict with one another or with BNY Mellon's own interests (e.g., in the wholesale spot FX market), BNY Mellon, as part of its risk management process, may trade prior to or alongside a client's transaction. These activities can have an impact on the prices we offer clients on a transaction and the availability of liquidity at levels necessary to execute client orders. Also, as they may affect market prices, they may inadvertently result in limit orders being triggered.

iii) **BNY Mellon has discretion on how to fill client orders**

BNY Mellon may receive requests for quotes and multiple orders for the same or related currency pairs from different clients. Because BNY Mellon acts as principal, it seeks to balance the need to satisfy the requests of all of its clients with its
independent risk management objectives, and therefore, it retains discretion with respect to how to satisfy its clients' requests, including with respect to order execution, aggregation, priority and pricing. BNY Mellon will exercise its discretion in a fair and reasonable way that is not designed or intended to disadvantage the client.

**iv) When an FX transaction request or order can be declined**

BNY Mellon may accept or reject any order from a client within reasonable notice. BNY Mellon may decline a transaction request when there are grounds to believe that the transaction is intended to disrupt or distort the market.

**v) Rejection of transactions with stale/inaccurate prices**

In line with its disclosures to affected clients, BNY Mellon retains the right to review and reject a rate previously communicated and attempted to be executed by a client.

In trades priced electronically by BNY Mellon’s internal trade engine, this review process is known as “Last Look”. Last look is intended to protect both BNY Mellon and its clients against stale/inaccurate prices, and help align its FX transactions with the prevailing market prices that are observed by the trading system at the time of execution.

**H. Pricing**

**i) The final FX price quoted is inclusive of mark-up, unless otherwise agreed**

With the exception of the fee-based business or if otherwise disclosed, BNY Mellon's final transaction price will be inclusive of any bid/offer spread; the costs related to execution including execution venue fees, clearing and settlement fees; and other fees paid to third parties involved in the execution of the transaction; and any sales commission or mark-up.

There are different factors that BNY Mellon considers when determining what the mark-up may be including, but not limited to, those related to the nature of the specific transaction and those associated with the broader client relationship, as well any relevant operating costs.

BNY Mellon Sales and Trading personnel are not obligated to disclose the amount of revenue (if any) BNY Mellon expects to earn from a transaction, nor are they required to disclose the components of BNY Mellon’s final price.

**ii) The components of sales margin**

BNY Mellon will act honestly, fairly, and professionally when determining mark-up, including not deliberately misrepresenting any aspect of the mark-up to the client.

The mark-up charged by BNY Mellon takes into consideration a variety of factors, including and not limited to:

- the service level provided;
- the level of credit risk that BNY Mellon is willing to incur when transacting with a client;
- the cost of capital BNY Mellon incurs as a result of the transaction;
- volumes traded by a client;
- costs by client sector and type, including costs both directly incurred and indirect cost allocation;
- competitiveness of the marketplace;
- difficulty in obtaining liquidity in the relevant marketplace; and
- other factors that may be relevant to a particular transaction.

The price, costs and sales margin for the transaction will vary depending on the client and transaction. The inclusion of costs and/or sales margin will apply to transactions that result from both requests for quotes and orders. For certain order
types in certain products, the addition of sales margin by BNY Mellon may impact the price at which the order is executed.

BNY Mellon may price orders on a fee basis rather than a sales commission or margin. Fees will be pre-agreed and documented in writing.

iii) Different prices for substantially similar transactions

Any price provided by BNY Mellon may be inclusive of a sales margin determined by BNY Mellon to be appropriate for the client and the type of transaction that the client executes with BNY Mellon, allowing BNY Mellon to earn an appropriate return for its activities.

In determining any sales margin, BNY Mellon may consider the factors listed under the heading "Section H.ii.: The components of sales margin". As these factors may vary, BNY Mellon may offer different prices to different clients for the same or similar FX transactions or components of such FX transactions. For any given client, different sales margins may apply to different types of transactions.

BNY Mellon is not under any obligation to disclose the specific amount of any sales margin to a client (unless otherwise agreed in writing).

I. Executing client requests for quote and orders

As BNY Mellon is acting on its own behalf as principal, there is no obligation to execute:

a) An RFQ until the client accepts the price and the price is within the last look window time and tolerance; and
b) An order until the order instructions have been received and acknowledged and execution of the order does not impact BNY Mellon's role as principal.

i) Orders Received via Email

BNY Mellon may accept requests for quote and orders that are received via email for certain FX transactions. However, the client should be aware of the risks associated with email orders, particularly, the inherent time delays associated with placing orders by email.

When executing client orders received via email, the client order will be handled as follows:

a) in the absence of a client-specified price, the transaction may be executed at the prevailing market rate;

b) if the order is received by BNY Mellon during local business hours of the applicable BNY Mellon trading centre, to the extent possible, it will be acknowledged or executed within 2 hours after the order becoming executable (e.g. in respect of restricted currencies), at such time specified by the client or order (e.g., “good-till-cancelled” orders); and

ii) Sequential Execution of Orders

BNY Mellon will attempt to fill orders in the sequence in which they are received unless the characteristics of the order, prevailing market conditions (which includes but is not limited to extreme market volatility and suspension of venues), or the instructions or interests of the client require otherwise. BNY Mellon acts in a principal capacity but will strive to ensure the prompt and fair execution of client orders, relative to other orders including on behalf of its own account.
Client orders may not be executed sequentially if they are received by different media and it would not be practicable for them to be treated sequentially.

### iii) Aggregation of Orders

BNY Mellon will strive to ensure the prompt and fair execution of client orders within its overall risk management policy and this may be best achieved by aggregating comparable orders for execution in the market.

Where BNY Mellon aggregates orders it must not allocate the related trades in a way which is detrimental to a client.

BNY Mellon will not be permitted to aggregate orders and transactions unless the following conditions are met:

a) it must be unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and

b) it must be disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order.

However, while the intent is not to disadvantage any client, it remains possible that the effect of any aggregation may work to the disadvantage of a client in relation to any particular order.

### iv) Partial fills acceptable unless otherwise agreed

BNY Mellon will use its access to liquidity channels to attempt to execute the full size of a client’s transaction given the prevailing market conditions, when a trade is actionable, available credit line, client prioritisations and client instructions.

Where execution of the full size of the transaction is not practicable or feasible, BNY Mellon will assume that partial fills are acceptable unless BNY Mellon has agreed with the client otherwise. A partial fill occurs where BNY Mellon is unable to satisfy the whole of the client’s transaction and hence only satisfies a part of the requested transaction.

Partial fills of client orders should be fair and reasonable based on any applicable factors disclosed to the client such as prevailing market circumstances, in determining if and how a client order is filled, paying attention to any other relevant policies.

Where a client order has been aggregated with a BNY Mellon order and that aggregated order has only been only partially executed, such orders will be allocated with priority to the client.

### v) Orders for benchmark prices at specified fixing times

Orders from a client can be to buy or sell an amount in a currency pair at the price determined in a specified fixing rate and time (the "Fix"). These Fix prices are derived from monitoring the dealing activity in a currency pair over a specified period of time and are published by an independent company (e.g., World Market Rate) ("WMR") that utilizes third-party pricing sources. Where BNY Mellon has accepted the order, it must execute the order at the published bid/offer rate, or where pre-agreed, the mid-rate plus a fee.

BNY Mellon uses the following procedures to manage the risk ensuing from accepting Fix orders:

1. Where possible, net all orders internally in order to leave exposures in currency pairs that can be easily transacted in the market place;
2. Utilize industry netting solutions, such as EBS e-Fix, to match off balances with other banks with equal and opposite orders in the same currency pair. Alternatively, use voice brokers who provide the same matching service, but currently have greater reach than electronic platforms. In both cases the
trades remain anonymous until WMR publish their rates, approximately five minutes after the Fix has ended; and

3. Once all avenues to net or match an order have been exhausted, BNY Mellon traders may be left with a residual balance in a currency pair. BNY Mellon will need to mitigate that risk and this may sometimes mean being in the market ahead of the fix. This practice may unintentionally affect the fixing price or have any impact on the fill for the client.

BNY Mellon engages in other ordinary course of business activities that may impact a Fix rate, including sourcing liquidity for other client orders that are unrelated to a benchmark fixing, or acting as a market maker or engaging in risk management activities. Such activities may cause BNY Mellon to execute unrelated FX transactions during a Fixing Window or at other times that may impact transactions relating to a benchmark fixing.

vi) Limit orders

A limit order is an order from a client to trade a currency at a specific rate. When BNY Mellon is willing to work a client’s limit order, BNY Mellon is indicating its willingness to attempt to enter into the trade at the price requested by the client.

Unless BNY Mellon has expressly agreed to different terms of execution, BNY Mellon will decide, in its sole discretion, whether to work a limit order, which limit orders to execute, when and how to execute them, including whether to execute all or part of the order. In exercising this discretion, BNY Mellon will consider, among other factors, the liquidity in the market for the relevant currency pair, the creditworthiness of the parties available for trading and/or whether BNY Mellon has been provisioned with access to the trading venues where liquidity is advertised.

BNY Mellon’s undertaking to work a client’s limit order does not create a contract between the client and BNY Mellon whereby BNY Mellon is committed to execute any or all of an order in any particular way. BNY Mellon acts in a principal capacity and may not execute if the price of the order is unfavourable or a fill cannot be secured.

vii) FX Algorithm Execution Services

BNY Mellon offers a variety of proprietary foreign exchange algorithm execution services ("FX Algorithm Services") designed to meet different execution objectives and to make decisions around when, where and how your orders are executed based on the execution objective and various parameters chosen by its client. The strategies available in the FX Algorithm Services may be modified, supplemented, restricted, or otherwise change at any time in BNY Mellon’s sole discretion.

Use of any FX Algorithm Services may subject a client to additional risks unique to the nature of algorithmic trading which may not arise under traditional manual execution methods. Accordingly, the use of the any FX Algorithm Services are subject to a client separately agreeing to the terms and conditions of such FX Algorithm Services, which require among other aspects a client reviewing and acknowledging the particular algorithm strategy and execution objective and determining that such strategy and objectives are suitable and appropriate for reaching the client’s objectives. BNY Mellon is not providing any investment advice or recommendations with respect to the use of the FX Algorithm Services and encourages its clients to carefully review the strategies and terms and conditions with its advisors as it deems appropriate prior to using such FX Algorithm Services.

Using BNY Mellon’s FX Algorithm Services may generate one or more orders as described elsewhere in these disclosures, and any such order will be handled by BNY Mellon as described herein. Any orders resulting in FX Transactions will be between client and BNY Mellon as principal unless separately agreed. Further, BNY Mellon will earn a fee for each FX Transaction entered into pursuant to the FX Algorithm Services. The fee
earned by BNY Mellon will be as described and agreed to in the particular fee letter and relevant terms and conditions in place between BNY Mellon and the client from time to time.

For a current list of strategies available for use under the FX Algorithm Services, please contact your BNY Mellon sales Representative.

J. Trade confirmations

BNY Mellon will confirm FX transactions as soon as practicable after execution, amendment or cancellation. Confirmations are normally sent out at the end of the trading day on which an FX transaction is agreed. A confirmation may be dispatched by SWIFT, facsimile, email or in electronic form through an Electronic Service (including by means of BNYM’s Treasury Payment services, websites or online portals such as via iFXManager or iConfirm).

If you have questions after reading this disclosure or concerning BNY Mellon’s dealings with you, we encourage you to contact your senior BNY Mellon representative. This disclosure is available at FX Disclosures Portal and may be updated from time to time to address changing regulatory requirements, as well as industry and other developments.