

SEB FX ORDER HANDLING GUIDELINES

January 2020

1. Introduction

This document describes Skandinaviska Enskilda Banken AB (publ) ("SEB") standard business practices when dealing FX with our clients. The purpose is to be transparent in how SEB accepts and handles client orders.

SEB is required, by law and commercial consideration, to act in the best interest of our clients when handling their orders. This means that SEB is required to act in a manner that is honest, fair, and transparent, and to take all sufficient steps to obtain the best possible results for our clients when executing orders.

SEB acts as a principal in the FX market. In executing a client order with SEB acting as principal, SEB must, in determining what are sufficient steps to obtain the best possible results for our clients, consider both the interest of those clients as well as our own willingness and capacity to bear market, credit, liquidity and other types of risks.

SEB invests significantly in infrastructure and processing capacity to accurately, reliably and in a commercially sound and competitive manner price FX, considering all information available to SEB.

For the avoidance of doubt, the fact that SEB has failed to observe any aspect of the Guideline in a particular case will not *of itself* give any person a cause of action against SEB or any of its employees.

2. Roles and Segregation of Duties

2.1 Roles

Roles in FX are separated into Traders, Quantitative analysts and Sales staff:

- **Traders**
Traders have two main roles, Order Execution and Risk management. A trader may be either a physical person or an algorithm monitored by a physical person.
- **Quantitative Analysts**
Quantitative analysts are involved in building pricing, algos and hedging logic.
- **Sales**
Sales are the client's main contact with the bank and their role is to act as the intermediary between the client and the traders.

Sales are required to know the client and are responsible for all client related system settings related to orders.

2.2 Segregation of Information

- Information is always distributed within the organization on a need-to-know basis. Anonymous matching of interests at the moment of execution can be utilized to reduce market impact and overall execution cost.
- Risk taking staff are prohibited to access order or client information unless on a need-to-know basis.
- Sales are not permitted to view the traders' manual or automated positions or have access to their books.

Client algo execution is subject to segregation of duties during European hours (8:00 to 16:15 Central European Time).

2.3 Market colour

This section is about communicating information to external parties.

When giving market colour SEB Staff will never disclose a client's name, specific deal size or other terms relating to a client transaction (whether completed, forthcoming or expected) without that client's explicit permission.

- Clients should be aggregated in segments and into wider geographical areas (e.g. "European real money sold SEK") so that the client name can never be guessed, and we maintain the client's confidentiality.

- Before providing any market colour to a client, SEB staff always considers the following questions:

a) Could the communication constitute a breach of confidentiality?

b) Could an external third party guess the identity of the client being referred to by the way the communication is given?

3. SEB's electronic FX trading service

SEB continuously streams indicative prices ("rates") through our proprietary infrastructure and through third party platforms where our clients and counterparties may respond with actionable indications of trading interests or orders ("orders") to trade at such prices. This does not amount to SEB's rates being "firm", i.e. those are not rates at which SEB under all circumstances commits to trade. They are rates at which clients may place orders, and at which SEB will endeavor and make reasonable efforts to execute or otherwise reject the orders.

3.1 Electronic Order handling and Matching policy

SEB will, subject to credit risk and normal operating conditions, accept client orders at current rates. Such orders will be processed and executed immediately upon receipt, in the order in which they are received without any holding period applied at the trading desk or

through the infrastructure through which such orders are submitted.

3.1.1 Order validation

All orders received from clients are verified and validated to ensure that the order does not contain corrupt or invalid data, that it contains all information necessary for SEB to execute the transaction, and that there is sufficient credit risk willingness. Included in these controls is a control to ensure that the rate specified in the order is in line with current rates. The validation steps are performed immediately upon receipt of the order without a holding or resting period applied.

3.1.2 Normal operating conditions

SEB's trading desks rely on and invest a significant amount in infrastructure to manage the volume, speed and volatility of FX markets. This is important to meet clients' expectations regarding a fast, accurate and reliable trading environment. SEB and our clients are dependent on a complex set of infrastructure to process our trading activities. In these complex structures, despite the best efforts of all involved parties, response time may at times be high in relation to the market conditions. This may adversely impact both SEB and our clients. In particular, this means that, from time to time, there may be differences between the order rate and the current rate, even under what constitutes normal operating conditions. To this end, SEB has implemented tolerance bands for what we consider to be commercially reasonable deviations from current rates. In doing so, we seek to balance our client's interests to obtain reliable rates and certainty of execution, against SEB's and our combined client base's interest in orderly market conditions.

3.1.3 Order acceptance/rejection

As stated above, orders received by SEB are verified before acceptance and matching. Among the verifications performed there is a comparison between the current rate and the order rate. This is part of our normal processing for all orders and there is no holding period applied, i.e. there is no intentionally added delay between SEB

receiving a client's order, performance of relevant order verifications and acceptance and matching of the order. SEB will accept positive and negative deviations between the order rate and the current rate in commercially reasonable amounts. SEB's tolerance bands are implemented throughout SEB's electronic FX trading platforms and they are symmetrical.

SEB does not pre-hedge any risk before an order request has been accepted or rejected based on that specific order request. SEB does not initiate any skewing, hedging or similar activities until the client's request to trade has been accepted by SEB. SEB does not use the information that an order request has been rejected other than for statistical analysis on an aggregated basis.

3.1.4 SEB and client outcomes

SEB seeks to minimize the number of rejected client orders. However, SEB must, due to observed trading patterns, control and limit flow which may harm the bank and, ultimately, all of our clients.

SEB calibrates its tolerance bands to provide competitive prices and certainty in order execution while protecting the bank from harmful exploitation. SEB continuously monitors the impact and outcome of such set tolerance bands to identify and improve the performance of our trading environments and related services. It does that by taking into account the needs and interests of both clients and SEB.

3.2 Summary of SEB's electronic FX trading service

- SEB does not apply any holding period to orders received through our electronic FX trading platforms. All orders are immediately validated, processed and executed in the order in which they are received, subject to the latency of the infrastructure at the particular time.
- SEB has, across our electronic FX trading platforms, implemented tolerance bands within which it will accept both positive and negative differentials between the order and current rate.

- The tolerance bands are calibrated in consideration of our legal and commercial responsibility to act in the best interests of our clients with the objective to have the lowest rejection ratio possible. Such tolerance bands are symmetrical, balancing our clients' need for certainty in order execution, versus our need to protect ourselves against abusive practices and trading patterns.
- Such tolerance bands are continuously monitored and evaluated to ensure that:
 - Clients exhibiting abusive trading patterns are identified.
 - Clients not exhibiting such patterns are treated fairly and are provided with a service in line with SEB's commitment to provide a reliable, commercially viable and competitive trading service.
- SEB does not initiate any skewing, hedging, pre-hedging or similar activities related to a client request until it has been accepted by SEB.
- SEB does not use the information that an order request has been rejected other than for statistical analysis on an aggregated basis.

4. SEB's Order offering

SEB can both trade as principal or agent. Orders can be handled manually by the trading desk or electronically depending on thresholds and the type of order. Thresholds are determined by market conditions and time of the day.

In executing a client order with SEB acting as principal, SEB must, in determining what are sufficient steps to obtain the best possible results for our clients, consider both the interest of our client as well as our own willingness and capacity to bear for example, market, credit, liquidity and other risks.

SEB accepts client orders subject to available credit. Such orders will be processed and

managed at the discretion of SEB or by conditions agreed with the client.

SEB reserves the right to refuse to accept orders for any reason – this may for example be orders that are too close to the market (in the so-called no-fly zone), due to size, currency pair, specific market conditions or in the event of technical issues. SEB will always confirm either verbally or electronically when formally accepting an order.

SEB will endeavour to fill all of a client's order according to the specified instructions but cannot guarantee this. This may result in partial fills especially in low volume markets.

When executing orders at the same level, and when working "at best orders", SEB will attempt to prioritize on a FIFO (First in First out) basis, taking into account relevant factors such as order size and time horizon. When executing "at best" orders SEB's traders will, unless given specific instructions from the client, endeavor to fill the order as quickly as reasonably practicable. When using discretion, SEB traders will always work in the best interest of the client. SEB will continue normal market-making activities during the execution of the order and manage our own position.

For electronically handled take profits, SEB follows a FIFO model intraday. All orders are reset end of day and a priority is given randomly. A new FIFO model starts the following day based on this new priority.

For electronically handled stop losses and algos, all orders compete against each other with no priority given.

When acting as an agent, SEB uses a smart order router to decide which venue to send each child order to, taking into account price, fill ratios, historic cost of rejection and brokerage. SEB tries to improve the execution

by showing its own interest, competing against the other execution venues.

5. Order-Triggers

SEB uses Primary markets (EBS and Reuters) as reference to trigger orders in the most common currency pairs. A Stop-loss order can be triggered by the bid/ask or from a print on the primary market. In some rare cases, limit orders may not be filled even if the primary reference market has traded through the order rate due to credit allocation. In the event of one of the primary markets going down, SEB will elect to use the most relevant ECN at the time.

Crosses

Reference prices for crosses are created by using naturally occurring crosses usually supplied by an ECN or by synthetically calculated ones using the most relevant marketplaces. For some crosses there is no reference point for last traded and so bid/offer must be used.

Market opening

Orders, such as Stop-Loss or Take-Profit, that are triggered upon market opening or during a gapping market will, according to market convention, be executed at the rate where the order was traded in the market. No special concerns or actions will be taken during such events and the result may vary. Any slippage, positive or negative, due to lack of liquidity or market movements will be allocated to the client.

6. Order classification & charges

SEB executes regular non-execution algorithm orders as well as execution algorithm orders in Spot and Outright FX products. When using execution algos, clients will pay a transaction fee based on the notional amount executed. Regardless of the nature of the order –

execution algo or client order – SEB will always be the counterparty to the trade.

6.1 Order types-regular orders

No fly zone

- Clients can enter, modify and cancel orders on request, however SEB reserves the right to reject a cancellation request in the no-fly zone, i.e. too close to the market. The regular orders (including: call orders, stop-loss, take-profit/limit orders and fixing orders but not including algo orders) can be live several days.

6.1.1 Call Orders

- A Call Order does not involve execution of any trades. It is a service offered to advise clients when a price level has been reached.
- Automatic SMS/email notification can be sent if configured in the order management system.
- We will send a notification immediately upon the level being reached, on a best effort basis.

6.1.2 Stop-Loss Orders

- When sending a “stop” order, the client must specify
 - The price level at which the order is to be triggered.
 - If the order should be triggered when the order level is last traded, is offered (stop ask) for sell orders, or bid (stop bid) for buy orders and;
 - The time for which the order will remain valid.
- The “stop” order will be triggered when market conditions permit execution.
- Execution – when the trigger condition is met, SEB will execute such order on the client’s behalf.

- Slippage – any slippage experienced during the execution will be assigned to the client.

- Mark up – All stop loss orders should be communicated to trading by sales at the price level specified by the client. Mark-up might be applied

6.1.3 Take-Profit /Limit Orders

- Fills – The order might be partially filled and there is no guarantee that the order will be fully filled.
- Execution – SEB will execute in the client’s best interest using the most appropriate method depending on currency pair and market conditions . Electronically handled orders can only be executed at one venue determined by SEB.
- Slippage – There will be no slippage beyond the specified limit price.
- Mark up – a mark up might be applied to take-profit orders

6.1.4 Fixing Orders

A client may send SEB an order to execute at a price benchmark determined by a reference price in the market. SEB currently supports WMR Fix & BFIX. For full details of those fixes, please refer to Refinitiv and Bloomberg specifications.

SEB will do this as principal and the client will get the fixing rate with pre-agreed charges applied to the order. SEB is engaged in other business activities in parallel, such as market making, order handling and risk management that are not related to the benchmark fix but might impact it. Such activities can lead to a situation where SEB enters unrelated transactions in the FX market close to, or within, the fixing window.

SEB can transact a fixing order before, during, or after its fixing calculation window, this is done with the intention to get the best outcome for the client.

6.2 Order types - Algo orders

When SEB's internal books have an opposing interest to an algo order submitted by a client, the algo order will be filled to the extent possible from SEB's internal pool of liquidity without interaction with the external marketplace. When SEB's internal book has a similar interest to an algo order submitted by a client, the algo order will compete with SEB's existing order.

Algo orders can only be filled the same day and will be terminated when SEB electronic offering closes (11pm Central European Time). This could mean that the algos are only partially filled.

6.2.1 Peg

- Order entry – The order can be entered at any rate requested by the client and any volume under a threshold that is set to avoid fat fingers errors.
- Execution – This order will try to participate in the market at or near the top of book, constantly adjusting the level to follow market movements. This will be done on multiple markets, externally and internally, lit and dark, at a price no worse than the limit set.
- Fills – The order might be partially filled and there is no guarantee that the order will be fully filled.
- Cancellation – The order can be cancelled at the client's request at any given time when SEB electronic offering is open.
- Modification – The order can be modified at any given time when SEB electronic offering is open.

- Mark up – When using execution algos, clients will pay a transaction fee based on the notional amount executed.
- Slippage – There will be no slippage beyond the specified limit price.

6.2.2 Aggressive Watch

- Order entry – the order can be entered at any rate requested by the client and any volume under a threshold that is set to avoid fat fingers errors. SEB will not accept orders that are more than a percentage in the money. (This percentage is configurable)
- Cancellation – The order can be cancelled on the clients request at any given time when the market is open.
- Modification – the order can be modified at any given time when the market is open.
- Trigger – the trigger will be monitored against a venue decided by SEB on a currency pair basis.
- Mark up – When using execution algos, clients will pay a transaction fee based on the notional amount executed.
- Fills – the order might be partially filled and there is no guarantee that the order will be fully filled.
- Execution – when the trigger condition is met, the algorithm will execute in the market still honoring the limit price. After being triggered the algorithm will watch the limit price and utilize opportunities to trade in an optimal way, both externally and by using SEB's own internal pool of liquidity. If the market trades away, the order might be only partially filled or not filled at all.
- Slippage – there will be no slippage beyond the specified limit price.

6.2.3 TWAP

- Order entry – the order can be entered at any rate, to be executed between two points in time, requested by the client and

any volume under a threshold that is set to avoid fat fingers errors.

- Cancellation – The order can be cancelled at the client's request at any given time when SEB electronic offering is open. SEB will reject TWAP orders that would execute above a set configurable amount per minute to protect the client from a fat finger error.
- Modification – the order can be modified at any time when SEB electronic offering is open.
- Mark up – When using execution algos, clients will pay a transaction fee based on the notional amount executed.
- Fills – The order might be partially filled and there is no guarantee that the order will be fully filled if the market moves beyond the limit price. Orders can be matched at SEB's mid-price from SEB's Internal Liquidity Pool as well as executed externally.
- Execution – TWAP (Time Weighted Average Price) can be used to execute an order over a pre-defined period of time to minimize market impact. TWAP algo aims to trade as close as possible to a calculated average market rate over the specified period. It will utilise both passive orders to capture the spread and market orders to stay on schedule. To minimise signaling risk, the TWAP will use randomisation when generating the schedule.
- Slippage – there will be no slippage beyond the specified limit price.

6.2.4 DynamicX

- Order entry – the order can be entered at any rate, to be executed between two points in time, requested by the client and any volume under a threshold that is set to avoid fat fingers errors.
- Cancellation – The order can be cancelled at the client's request at any given time when SEB electronic offering is open. SEB will reject DynamicX orders that would

execute above a set configurable amount per minute to protect the client from a fat finger error.

- Modification – the order can be modified at any time when SEB electronic offering is open.
- Mark up - When using execution algos, clients will pay a transaction fee based on the notional amount executed.
- Fills – The order might be partially filled and there is no guarantee that the order will be fully filled if the market moves beyond the limit price. Orders can be matched at SEB's mid-price from SEB's Internal Liquidity Pool as well as executed externally.
- Execution – DynamicX can be used to execute an order over a pre-defined period of time to minimize market impact. DynamicX algo aims to reduce market impact by using available liquidity posted inside the market spread. To minimise signaling risk, the DynamicX will use randomisation when generating the schedule. DynamicX can finish before the specified end time if there is available liquidity inside the market spread.
- Slippage – there will be no slippage beyond the specified limit price.