

Nordea Markets Foreign Exchange (FX) Disclosure Notice; FX Spot Trading Practices

1 October 2018

This document sets out the standard business practices of Nordea Markets, which is a business unit of Nordea Bank Abp, (“Nordea”, “we” or “us”), when entering into FX Spot transactions, whether by voice or electronic means, in the wholesale FX Spot market. Nordea is committed to conducting FX Spot transactions in a manner consistent with the principles of the FX Global Code. (www.globalfx.org)

Unless otherwise agreed, to the extent that you enter into FX Spot transactions with us, it will be on the basis of the principles disclosed here. Where there is any inconsistency between terms of business or product-specific agreements in place between you and us (other terms) and this disclosure, the other terms shall prevail. For the avoidance of doubt, this disclosure is not intended to exclude any mandatory obligations that we owe you as a customer under any applicable law or regulation.

Nordea’s role when executing a customer order

When receiving an order, Nordea acts as a principal, taking on one or more risks in connection with such order, including market and credit risk. Nordea accepts orders for FX Spot transactions via telephone or chat or electronically on a single dealer or multi dealer platform. As a principal, Nordea is acting on its own behalf and has no obligation to execute the order until it is finally agreed and accepted by both you and Nordea. Nordea will exercise its discretion in deciding which orders to execute, when to execute them and how to execute them, including whether to execute all or part of an order. When several customer orders appear at the same price in the market or with the bank, Nordea will at its discretion seek the best outcome for its customers and execute such orders on a first come first serve basis and at times provide partial order fills.

Conflicts of interest

Nordea is committed to act transparently and in fairness when dealing with our customers. We will strive to offer our services pursuant to the highest ethical and professional standards under the FX Global Code. To the best of our efforts we have identified the conflicts of interest that may arise during our business operations and have taken appropriate action to handle such conflicts to promote fair treatment of our customers. At times, Nordea could have conflicts of interest other than those conflicts which may exist in the normal course of our principal-dealing and market making activities. Should such a potential or actual conflict of interest arise, which cannot be reasonably avoided or effectively managed, Nordea will disclose this to you in sufficient detail in accordance with Nordea’s Conflict of Interest Policy available at www.nordeamarkets.com/trade-conditions.

Information handling

Nordea has policies and controls designed to protect a customer’s confidential information. Nordea may use information provided to it as principal in order to effectuate and risk manage transactions. Information

relating to your transaction will be shared internally only on a need-to-know basis to ensure that your transaction is executed appropriately. Nordea analyses the information regarding executed transactions on an individual and aggregate basis for different purposes, including counterparty risk management and sales relationship management. We may also analyse, comment on and disclose aggregated and non-attributable information regarding executed transactions, together with other relevant market information, internally and to third parties for the purpose of informing about Nordea's view of the market and any related customer-facing business, product or service. In addition, as part of its obligations as a regulated entity, Nordea may also share customer information with regulators and in accordance with any applicable law or regulation.

Market making

Nordea is a market maker and/or liquidity provider in a broad range of currencies. As such, Nordea may trade prior to or alongside your order, to execute transactions for Nordea's own account or to facilitate transactions with other customers, to manage risk or to source liquidity. These activities can have an impact on the prices Nordea offers and the availability of liquidity at levels necessary to execute customer orders. If you have placed a stop loss-/take profit order, or an order including barriers, knock-outs, knock-ins and similar conditions, these may be triggered by Nordea's trading as a market maker and/or liquidity provider.

Pricing

Unless otherwise disclosed, Nordea will provide you with a single all-in price which will include the price and 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 margin or mark-up.

The price is determined by Nordea in its discretion by taking into account factors and pricing input Nordea deems appropriate including. Factors that may contribute to the sales margin or mark-up are those related to the customer, the relationship between Nordea and the customer, the nature of transaction as well as the prevailing market conditions. As such, different prices may be offered to different customers for the same or similar transactions. The inclusion of costs and/or sales margin or mark-up will apply to all transactions unless otherwise specified.

The application of mark-up may impact the price and execution of customer orders linked to a specific level such as limit orders. Likewise, sales margin may be applied to stop loss and market orders (at-best) before the all-in price is passed to the customer.

Pre-hedging

As principal, Nordea will engage in activities to manage the risk it takes on relating to customer transactions. Such risk mitigation activities include pre-hedging, hedging or other positioning activity for Nordea's own account before or after the provision of a price to you for a transaction, in order to manage our exposure under that transaction, our general market risk, or other trading activities. While such activity may detrimentally affect the price you receive or whether a barrier or price level that has been specified has been reached, Nordea will only engage in such activities where it is intended to benefit the overall execution of your or other customer's orders under the prevailing market conditions or to manage Nordea's risk. Nordea may engage in risk mitigation activities without further disclosure to you, and any transactions entered into

by Nordea with a view to facilitate your potential transaction will be entered into by Nordea as principal and may result in profit, or loss, to Nordea.

Pre-trade validation checks

Nordea continuously streams prices via various electronic venues. These prices may be revised or withdrawn by Nordea without notice. Nordea performs a series of pre-trade validation checks including a credit check, validation of parameters and a price check (normally also referred to as “last look”) when you electronically submit requests to trade against these streamed prices.

The pre-trade validation check is applied immediately after receipt of an order. The price check is purely intended to confirm whether the price at which your trade request is within Nordea’s price tolerance for execution. Nordea determines the price tolerance calculated as a percentage of the relevant spread at the time the price check is performed. If the current available price is within the determined price tolerance, Nordea will execute the trade request at the requested price. If the price has moved against Nordea more than the price tolerance, then Nordea will reject the trade request and notify you as soon as practically possible. If the price has moved against you more than the price tolerance, Nordea will then pass on to you the difference between the current price and the price tolerance as a price improvement. Nordea applies symmetric price checks. For trading platforms that do not support symmetric price checks, trades will be executed on the rate initially requested by you.

Nordea is not active during the pre-validation window in relation to the trade that is undergoing pre-trade validation checks. If Nordea is active during such period, it will be related to other transactions. If a trade is rejected as a result of the pre-validation check or otherwise, no information associated with such trade is used to influence any pricing or hedging activity subsequently undertaken by Nordea.

Nordea FX algo suite

Nordea offers a suite of execution algorithms where Nordea will execute orders in the market when you submit a trade request with an instruction to use such an algorithm. The relevant execution algorithm will seek execution of your trade requests by means of a predetermined methodology, which may be configured by Nordea. The use of an execution algorithm does not guarantee any particular outcome and/or execution of any amount requested.

All executions in the market are between Nordea as principal and other market participants. Nordea offers to use a mix of internal liquidity and external liquidity or external liquidity only. Nordea will route orders to the venues we estimate will give the best result for the given order type. Nordea will charge a pre-disclosed commission for the execution of the order.

It is your own responsibility to ensure that any execution algorithm that you designate in a trade request is appropriate for your needs. Nordea is not responsible for your choice of execution algorithm or for evaluating your purpose of selecting an execution algorithm. The output or offering of any execution algorithm does not constitute investment advice or a recommendation. The results obtained from an execution algorithm may depend on the validity of the assumptions underlying it. Prevailing market conditions may impact these assumptions.

Information on the available suite of FX algorithms offered by Nordea including a description of their strategies and underlying assumptions is available at www.nordeamarkets.com/fxalgo.

Order execution

Orders received via electronic trading platforms will be time stamped at time of acceptance and again at time of execution. The market risk transfers for electronic orders at the time of execution of your order.

Voice orders placed directly with a salesperson via telephone or chat will be time stamped when entered in Nordea's electronic deal capture system by the Nordea salesperson, as soon as reasonably practicable, and on execution. The market risk transfers for voice orders at the time of execution of your order. Orders are prioritised based on the time of receipt of the order.

Nordea will use its access to liquidity channels to attempt to execute the full size of your transaction subject to the prevailing market conditions and your instructions. Nordea will assume that partial fills are acceptable to you unless otherwise agreed. A partial fill occurs where Nordea is unable to satisfy the whole of your transaction and hence only provides you with a partial execution of your requested transaction.

Resting orders

Resting orders ("take profit" and "stop loss"), which trigger a buy or sell order for a specified notional amount when a reference price reaches or passes a pre-defined trigger level, are handled by Nordea on a principal basis and are not segregated from the management of Nordea's core market operations. The use of a resting order does not guarantee execution at the pre-determined reference price or trigger level. However, Nordea will seek to execute your transactions at the nearest possible level given prevailing market conditions. Nordea may engage in risk management transactional activity which may be executed close to a trigger level and which may impact the reference price and may result in a resting order being triggered.

Benchmark orders

When you place a benchmark order ("fixing order"), Nordea will not know its own exposure arising from transacting at a price that is not yet known and that will not be determined until the closing of a specified determination period ("fixing window"). If Nordea finds it necessary to enter any pre-hedging or hedging transactions to manage the associated risk, we will do so. Such actions will only be taken to manage the risk and facilitate the transaction in question and may be executed before, during or after the fixing window.

Given that other market participants may engage in similar risk management practices, the volume of transactions prior to or during the fixing window may increase, and such transactions may impact the ultimate benchmark fixing (and may also impact pricing and volatility of related markets).

Nordea may engage in other business activities that may impact a benchmark rate, including sourcing liquidity for other customer orders that are unrelated to a benchmark fixing or acting as a market maker or engaging in risk management activities in relation to other orders. Such activities may cause Nordea to execute unrelated transactions prior to or during a fixing window or at other times which may impact transactions relating to a benchmark fixing and may also impact pricing and volatility in related markets.

Nordea will charge a pre-disclosed fee for the execution of the benchmark order.