

Jun 2019

## **Information about Hang Seng Bank Limited Global Markets Equities Terms of Dealing**

This notice sets out some of the key aspects of the relationship between Hang Seng (us) and its clients, including customers and counterparties (you), when executing equity products with Hang Seng Global Markets . It is intended to supplement other disclosures and by continuing to trade equity products with us, clients do so on the basis of the information described below. This notice is being provided to Hang Seng clients with respect to different products, and sets forth Hang Seng's general practices, where those practices are permitted. However, our relationship and practices with you are subject to applicable local legal and regulatory requirements (including any code of conduct to which Hang Seng is subject), which may impact the extent to which we engage in the activities described or the manner in which we act. This notice does not affect or reduce Hang Seng's legal or regulatory duties to you. This notice is subject to the terms of any written agreement we have with you, including our written terms of business.

Hang Seng may deal in equity products with you as agent or as principal. With respect to each trade, Hang Seng's capacity (principal or agent) will be noted on the relevant transaction documentation. This document aims to clarify and disclose relevant practices and certain terms of dealing of Hang Seng when acting as an agent or on a principal basis.

### **Principal Trading**

Applicable when Hang Seng acts as a principal and takes the other side of your trade. To the extent permitted by local law and regulations, Hang Seng may directly or indirectly engage in bona fide hedging or positioning activity to reduce the market exposure associated with the principal facilitation of your order in whole or in part at its sole discretion at a price that may differ significantly from your transaction price.

Hang Seng deals at arm's-length as principal, putting its own capital at risk, and does not act as a fiduciary or financial advisor to its clients and does not assume any of the responsibilities or liabilities that would be associated with such roles. You are responsible for making any investment decisions, and all such investment decisions are made at your own risk.

### **Conflicts of interest**

The nature of equity products and the role of firms such as Hang Seng in such markets may give rise to conflicts with the interests of other market counterparties, including clients, which cannot be completely eliminated. When conducting its activities, Hang Seng has policies and procedures designed to manage and mitigate the risk of conflicts of interest and seeks to manage such conflicts of interests to deliver fair treatment to clients and to minimise disruption to market integrity.

Situations of actual or potential conflicts of interest which Hang Seng may encounter as part of its activities, and which it will seek to manage and mitigate, include those where Hang Seng is engaged in transactions with multiple clients, each of whose interests may diverge from those of Hang Seng or of other clients, or where Hang Seng holds or executes trades. Hang Seng may, for example:

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<sup>1</sup> Includes, but is not limited to, Equity Derivatives (including Equity Options, Equity Accumulator, Equity Decumulator, index and equity linked products).

- Choose at its discretion to hedge positions that we execute with you. To the extent permitted by local law and regulations, Hang Seng's risk management and hedging activities that take place before, during and after the execution of a client transaction, will take into account the size of orders and prevailing market conditions;
- To the extent permitted by local law and regulations, use information provided to us by you or by other clients to effectuate our risk-management activities, to facilitate transactions and to source liquidity;
- Impact the execution or price of certain transactions, trigger or prevent triggering of stop loss orders, take-profit orders, knock-in or knock-out barriers and similar features that may impact the prices of your transactions or the valuations of your positions;
- Execute bona-fide hedging transactions before, during and after the valuation time or window when a price or a level that affects your transaction is fixed or determined. This might impact a reference price or a benchmark fixing, or trigger or prevent the execution of your transactions or adversely affect their prices;
- Generate profits or losses for its own account in connection with its trading activity with you (including, but not limited to, hedging). In general, Hang Seng as principal, would attempt to execute a client transaction only when it is commercially viable to do so;
- Decline at its discretion to take an order, to execute a transaction or to respond to a pricing request, without any obligation to provide explanations. In the absence of a contractual, legal or regulatory obligation to the contrary, where Hang Seng accepts an order from you or conveys that it is "working" an order for you, Hang Seng will attempt, but shall not be committed, to execute the trade.
- Receive multiple orders or requests for the same or related equity products, including in instances where Hang Seng also has an interest in such products. In such cases, Hang Seng acting as principal may seek to satisfy all its clients' requests and interests alongside its own, and accordingly conflicts of interest may arise. Subject to applicable law and regulation and in accordance with internal policies and procedures, Hang Seng generally retains discretion in managing these conflicts (including with respect to order execution, aggregation, priority and pricing) and may in some instances not satisfy (or fully satisfy) all client order or requests. Hang Seng has no obligation to disclose to a counterparty why it was unable to execute a transaction in full or in part;
- Act as the calculation agent, valuation agent, collateral agent or other determining party with respect to transactions or terms or reference inputs of transactions that we enter into with you. In such capacity our economic interests may be adverse to yours; and
- Have an ownership or other economic interest in a trading venue on which transactions may be executed or cleared. In such cases, we may derive financial or other benefits if trades are executed and/or cleared at such venue or clearing house.

### **Client information**

Protecting client confidential information is amongst Hang Seng's highest priorities as an institution. Hang Seng has systems and controls reasonably designed to protect confidential information and ensure it is not used or disclosed improperly. However, it should be understood that Hang Seng, in its role as an agent or dealer, may on a limited, need-to-know basis, in accordance with applicable law and regulation and any customer documentation entered into with you:

- Use information provided by clients to inform business decisions such as those related to managing and hedging risks and transactions;
- Use and share information about client activities amongst internal sales and trading personnel to inform Hang Seng's view of the market and any related client-facing business, product or service (including information about block trades in order to facilitate their execution); and / or
- Share information about client activities with regulators and/or other authorities exercising similar oversight over Hang Seng's activities, and in accordance with any applicable legal requirements.

### **Basis for equity prices**

When pricing or fixing the terms of a transaction, firmly or indicatively, Hang Seng considers at its discretion a broad range of factors such as prevailing market conditions, risks associated with the transaction and their management, hedging or mitigation costs, the size of the transaction, Hang Seng's risk appetite and inventory, counterparty risk, infrastructure and operational costs, fees and costs (pre-agreed or not) that may arise during the execution and tenor of the transaction, credit, capital and funding related costs, regulatory requirements as well as the nature of our relationship with you, your previous trading behaviour and the level of service provided to you.

Hang Seng's policies seek to ensure that all offered prices are fair and reasonable, but as they depend on transaction and client specific factors, it may offer different prices to different clients for the same or substantially similar transactions. Hang Seng's receipt and execution of a client's order might also be adversely affected by latencies or delays for technological, operational or other reasons that may impact the price. In relation to both electronic and voice trading with Hang Seng, it is the client's obligation to ensure that they are satisfied with the price (indicative or firm) and other terms of any transaction with Hang Seng prior to the transaction being executed.

Subject to any legal or regulatory obligations that may apply, Hang Seng may respond to any order or request received from you with an offer (an all-in price) to execute the trade (in full or in part) as principal at a price that could be off market. You may accept or decline such offer but must, independently of Hang Seng, reach a decision about the price and suitability of the transaction and, if you accept it, should not expect any later adjustment to the price or to the transaction after its execution (regardless of post-trade price movements).

**At Hang Seng, we are committed to building a sustainable business with long-term client relationships. If you have questions about this notice, please contact your local Hang Seng representative.**

This notice is also available at [https://www.hangseng.com/content/dam/hase/en\\_hk/investment/pdfs/equities-information-notice.pdf](https://www.hangseng.com/content/dam/hase/en_hk/investment/pdfs/equities-information-notice.pdf) and may be updated from time to time. Updates will be made available on that website.