

Information about HSBC Global Markets Fixed Income Terms of Dealing

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This notice sets out some of the key aspects of the relationship between HSBC Bank Argentina S.A. (“HSBC”) (us) and its clients, including customers and counterparties (you), when dealing in Fixed Income (FI) products¹, where we transact in the FI markets as a dealer and market maker. It is intended to supplement other disclosures concerning the terms and conditions of FI transactions with us and by continuing to trade FI with us, clients do so on the basis of the information described below. This notice is subject to our regulatory duties to our clients and any written agreement we have with you or written terms of business or written disclosure we have provided to you.

HSBC’s FI Dealing Activities and Services

HSBC’s goal is to participate in the orderly operation of the markets, to offer consistently competitive prices and to maintain and enhance its long-term sustainable relationships with its clients.

Unless otherwise expressly agreed, HSBC deals with clients as principal in FI transactions. This is true whether HSBC is responding to a request for quote, providing indicative pricing, executing client orders², or otherwise transacting in the market.

HSBC does not act as the agent or fiduciary of its clients and does not assume any of the responsibilities to clients that would be associated with such roles except where expressly agreed otherwise with clients.

We owe obligations to our clients and not to any person on behalf of, or through whom they may act. Each client should evaluate the appropriateness of any FI transaction based on its own facts and circumstances and its assessment of the transaction’s merits and execute the transaction based on its own independent determination of the transaction, either individually or in consultation with its advisors or agents.

Conflicts of Interest

The role of market-making firms such as HSBC in the FI markets may give rise to conflicts of interest between such firms and other market counterparties, including their clients, which cannot be completely eliminated.

As a result of its FI markets activity, at any time HSBC is likely to be engaged in transactions with multiple clients, each of whose interests may diverge from those of HSBC or other clients. As part of HSBC’s trading activity, HSBC trading personnel may anticipate near-term demand; take positions in connection with HSBC’s risk management activities; and minimize the impact of order execution on the market. HSBC’s activities are intended to provide it with sufficient inventory to service its clients.

As part of its activities as a FI dealer and market maker, HSBC may hold positions or trade in a way that may not be aligned with the interests of an individual client, in aggregate or in relation to particular trades. HSBC may, for example:

- ◆ Enter into transactions via voice or electronic media: (1) to maintain market making inventory proportionate to expected/ actual client demand and; (2) for risk management purposes, before, during and after the execution of a client transaction (including transactions which may be linked to reference prices or concluded at or close to the time of a benchmark being calculated). HSBC’s market making activity and risk management activity will take into account the size of orders and applicable market conditions. Where HSBC receives, or reasonably expects to receive, an order, the client acknowledges that HSBC may pre-hedge (where allowed by applicable regulation and markets) the order placed with them and that this may affect the price of the financial instruments and the client understands the potential pricing impact and other risks associated with any such pre-hedging activity.

¹ Includes, but is not limited to, interest rate derivatives, credit derivatives, bonds, secondary loans and repos

² Orders include Request For Quotes (RFQs), Orders and Instructions

- ◆ Generate profits or losses in connection with HSBC's trading activity including but not limited to pre-hedging activity.
- ◆ Receive multiple orders for the same or related products, including in instances where HSBC also has a trading interest in such products. Similarly, HSBC may participate for one or more clients and for its own account in a range of auctions, Bids Wanted in Competition or Offers Wanted in Competition. In each of these cases, a client's interests may conflict with the interests of HSBC or other HSBC clients.
- ◆ May 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 potentially be adverse to yours.
- ◆ Have an ownership or other economic interest in a trading venue on which transactions may be executed or clearing house through which transactions may be cleared. Also, we may have access to one or more trading venues or clearing houses and not others. In each of these cases, we may derive financial or other benefits if trades are executed and/ or cleared at such venue or clearing house.

HSBC has policies and procedures reasonably designed to manage and mitigate the risk of conflicts of interest. When conducting these activities, HSBC seeks to minimize market impact to the extent consistent with its trading and risk management needs and objectives.

Client Confidentiality

In its role as a principal dealer and market maker and whenever authorized by clients (unless otherwise explicitly agreed), HSBC may, for example:

- ◆ Use information provided by clients to inform business decisions related to mitigating and hedging against risk;
- ◆ Share information about client activities amongst sales and trading personnel; and/or
- ◆ Use or disclose information on an aggregated and non-attributable basis to inform HSBC's view of the market and any related client-facing business, product or service.

HSBC may share information about client activities with regulators and in accordance with any applicable law or regulation.

HSBC has policies and procedures designed to protect confidential information and ensure it is not used or disclosed improperly. When handling Client Information, HSBC seeks to promote effective communications that support a robust, fair, open, liquid, and appropriately transparent Fixed Income Market.

Basis for FI Prices

A number of factors may be taken into account when pricing transactions. For example:

- ◆ The risks, including market risk, which HSBC assumes under the transaction, taking into account matters such as HSBC's risk appetite, business strategy, positions and risk management costs, and the characteristics of the specific transaction.
- ◆ Infrastructure and other operational costs.
- ◆ Counterparty, capital and funding related costs, such as the nature and credit risk of the client, and internal credit and/ or funding charges.
- ◆ Fees and costs that arise during the execution and life of the transaction, such as clearing, settlement and other delivery costs, documentation and legal costs, and regulatory costs and taxes.
- ◆ Client services such as non-standard execution, sub-allocations, trade structuring, trade simulations and related research.
- ◆ Any pre-agreed fee/ spread charges (for example, some of our FI execution services entail a fee, which is agreed with the client in advance).
- ◆ Other relevant factors including applicable regulatory requirements and commercial considerations identified through our relationship with clients.

The relevant impact of each individual factor upon the price of a transaction will differ depending upon the prevailing market conditions and specific circumstances of that transaction. The way HSBC prices transactions with clients may also differ depending on whether we are providing quotes and indicative prices, or executing an order on behalf of a client. As a result, HSBC may offer different prices to different clients for the same or substantially similar type of transaction based on the factors above.

Quotes and Indicative Prices

Unless otherwise advised or expressly agreed by HSBC, any firm price quoted by HSBC to a client is an “all-in” price, inclusive of any margin above the price at which HSBC may be able to transact in the market, whether the price is quoted by sales, trading or other personnel. A firm price will take into account all applicable pricing factors listed above, whereas any indicative price may not take into account any or all of such applicable pricing factors.

In relation to any electronic trading with HSBC, the prices that HSBC quotes are indicative (unless advised otherwise, for example but without limitation, on the relevant platform). HSBC continually updates these prices, as and when it deems appropriate. Therefore, where a client submits a trade request electronically to HSBC, it is possible that HSBC may have refreshed its pricing independent of and prior to receiving the request. In such circumstances, HSBC is not obliged to accept the client’s trade request transmitted prior to any such pricing revisions and may send its revised price to the client. The client will then have the opportunity to accept or reject the revised price.

In relation to both electronic trading and voice trading with HSBC, 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 HSBC prior to the transaction being executed

Execution of Client Orders

Clients can send orders to HSBC using various channels, including voice or electronic means, as may be agreed between HSBC and the relevant client, through the means authorized by the National Securities Exchange Commission (*Comisión Nacional de Valores*). HSBC’s receipt and execution of a client’s order might be adversely affected by latencies or delays for technological, operational or other reasons.

By placing an order with HSBC, a client irrevocably offers to transact with HSBC on the basis of the parameters set out in the order. Subject to any express agreement to the contrary, HSBC’s receipt of an order or any indication of working an order received from a client does not create a contract between the client and HSBC that commits HSBC to execute any or all of the order in any particular way. HSBC is entitled to exercise its discretion in determining whether to accept an order and whether to fill the order in whole or in part.

Where a transaction or execution instruction is priced or triggered with reference to the market price for a product, unless the parties otherwise agree, HSBC will determine the market price in its discretion (which, depending on the circumstances, may be a bid, offer, mid-market, market-on-close, last-traded, or other price). Where HSBC considers a client order may have a significant impact on market levels, it may endeavor to agree an execution strategy with the client to minimize this impact.

Whilst HSBC seeks to provide consistently competitive pricing, HSBC makes no representation that the quotes and indicative prices which we make to a client are the best prices available in the market at the time, nor that HSBC will make that same price or anticipate making that same price available to other clients.

Notwithstanding the above terms, HSBC shall comply with all applicable local legal framework. In the event of disputes between this notice and local legal framework, this last shall prevail when dealing FI products.

At HSBC, we are committed to building a sustainable business with long term client relationships. This commitment includes maintaining the highest levels of integrity and treating all our clients fairly. If you have questions about this notice, please contact your HSBC representative.

This notice is also available at <https://www.business.hsbc.com.ar/-/media/library/markets-selective/argentina/pdf/hsbc-global-markets-fixed-income-terms-of-dealing-2019-eng.pdf> and may be updated from time to time. Updates will be made available on that website.