Information about HSBC’s Foreign Exchange Terms of Dealing

This notice sets out some of the key aspects of the relationship between HSBC Bank Argentina S.A. (“HSBC”) and its clients when dealing with HSBC Global Markets in foreign exchange (FX) products, where HSBC transacts in the market as a principal dealer and market maker. It is intended to supplement other disclosures concerning the terms and conditions of FX transactions with HSBC, and by continuing to trade with HSBC, the client does so on the basis of the information described below. This notice does not affect or reduce HSBC’s legal or regulatory duties to its clients.

HSBC’s FX Principal Dealing Activities and Services

Where HSBC transacts in the market as a principal dealer and market maker, HSBC’s goal is to participate in the orderly operation of the markets, to offer consistently competitive prices and to protect and enhance its long-term sustainable relationships with clients.

HSBC deals at arm’s-length as principal, putting its own capital at risk, in transactions with clients. This is true when HSBC is responding to a request for quote, providing indicative pricing, executing client orders, or otherwise transacting in the market.

With respect to FX dealing activities and services, HSBC does not act as the agent or fiduciary of its clients. Accordingly, HSBC does not assume any of the responsibilities that would be associated with such roles. Each client is responsible for performing their own independent assessment of any FX transaction prior to execution and based on its own facts and circumstances.

Potential Conflicts of Interest

The nature of the FX market and the role of firms such as HSBC gives rise to potential conflicts of interest that cannot be completely eliminated.

As such, at any time HSBC may be engaged in transactions with a large number of different counterparties (including HSBC itself), each of whose interests may differ. As part of HSBC’s management of client activity, HSBC trading personnel may seek to anticipate near-term client demand, and take positions in connection with its risk management activities. In such cases, HSBC’s actions are intended to provide it with sufficient inventory to service its clients.

It would not be unusual for HSBC to hold positions or trade in a way that may not be aligned with the objectives of an individual client. Given HSBC’s activities in the market are consistent with its role as a principal dealer and market maker, HSBC may, for example:

- Impact the execution or price of certain transactions, such as barriers, stop loss orders or other limit orders;
- Impact the level at which benchmarks or other reference prices are set through its trading activity prior, during or after the “Calculation Window”; and/or
- Enter into transactions in proportion to the requirements of its expected and/or actual order book, taking into account the size of orders and applicable market conditions in order to effectively support its customers' proposed and/or actual activity.

There may be instances of transactions being executed or cleared on trading venues or clearing systems in which HSBC may have a commercial interest or other relationship with, and which may result in financial or other benefits for HSBC.

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

Client Information

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 FX Market.

Pre-Hedging

Pre-Hedging is the management of the risk associated with one or more anticipated client orders, designed to benefit the client in connection with such orders and any resulting transactions1. Where a client indicates interest in a potential transaction, provides a request for a quote or leaves an order, HSBC may use that information to engage in Pre-Hedging activities by dealing as principal with a view to facilitate a potential transaction. Any such Pre-Hedging transactions could be at different prices from the price at which HSBC transacts with a client, may affect the market price or liquidity, and may result in a profit or loss to HSBC. HSBC has policies and procedures to manage and mitigate potential conflicts of interest arising from Pre-Hedging.

Basis for Pricing and Order Execution

HSBC's goal is to offer consistently fair and reasonable prices to its clients. A number of factors may be taken into account when pricing transactions, for example and in no particular order:

- The commercial return on risk HSBC assumes under the transaction, accounting for matters such as HSBC's risk appetite, business strategy, positions and risk management costs, and 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 trading platform costs, 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 information;
- HSBC's relationship with the relevant client, taking into account factors specific to that client; and/or
- Any pre-agreed fees or charges (for example, some execution services entail a fee, which is agreed with the client in advance).

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

Unless otherwise agreed, orders linked to or triggered at a specific level will be considered triggered at the level agreed with the client. Any margin will be subsequently applied to the final price of the resulting transaction.

Pricing Availability

HSBC makes prices and data available on various proprietary and third party electronic platforms, some of which may be used by clients to execute transactions. HSBC takes all reasonable measures to monitor and oversee the quality and availability of these electronic platforms, however there remains a risk that pricing and execution of trade requests or orders, and availability of data may be delayed or interrupted. During this time, clients may be unable to submit, cancel or modify trade requests or orders, and as a result may be exposed to damages or losses for which HSBC will not be liable.

Execution of Client Orders

Clients can send orders to HSBC using various channels, including voice or electronic means (e.g. instant messages, e-mail) as agreed between HSBC and the client, through the means authorized by the National Securities Exchange Commission (Comisión Nacional de Valores). An order will only be considered to be received once HSBC acknowledges that order.

When placing an order with HSBC, a client offers to transact with HSBC, as principal, on or near the parameters set out in the order. Subject to any express agreement to the contrary, HSBC is entitled to exercise discretion in determining whether to accept that order, to fill the order in whole or in part, and whether and how to enter into transactions in the market to hedge, pre-hedge, facilitate or otherwise enable HSBC to execute or fill the order, including the pricing, size, and timing of such transactions.

HSBC is committed to protecting Client Information and is under no obligation to disclose information about trading interests of its counterparties. Where HSBC chooses to make such disclosures, and whenever is authorized to do so by its client, HSBC will be truthful in its statements and will do so in line with the principles detailed in Client Information section.

Quotes and Indicative Prices

Unless otherwise agreed, any firm or indicative price quoted by HSBC to a client is an "all-in" price, inclusive of any margin applied to the price at which HSBC may be able to transact in the market, whether the price is quoted electronically or by sales, trading or other personnel.

In relation to both electronic 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.

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 with HSBC Global Markets in FX.

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.

Additional information available in appendices:

- Appendix A: Information about Benchmark Orders

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

Appendix A: Information about Benchmark Orders

HSBC manages FX Benchmark Orders for its clients through a dedicated Sales team with separate reporting lines from its principal trading desks. HSBC also employs information barriers so that Client Information is not shared between the dedicated Sales team and its principal trading desks.

In the above cases, HSBC has policies and procedures to mitigate the potential conflicts of interest associated with the execution of Benchmark Orders.

Benchmark Orders

HSBC may be instructed to execute transactions at a rate determined by a benchmark or other reference price calculated by a third party (referred to as "Benchmark Orders"), based on trading during a specified determination period (commonly referred to as the "Calculation Window") or an auction.

Clients who leave Benchmark Orders with HSBC will have a transaction executed between themselves and HSBC at a rate set by the benchmark provider plus i) a fee which is pre-determined and pre-disclosed, and/or ii) a spread determined by the benchmark provider.

Risk Management in Relation to Benchmark Orders

HSBC takes all reasonable steps to mitigate the market impact resulting from Benchmark Order execution by, for example:

- Calculating a net total amount comprising of external client orders and HSBC's own interest;
- Where available, attempting to match the net amount against the interest of other market participants using anonymous Benchmark Order matching or auction services offered by third-party providers;
- Executing hedging transactions prior, during or after the Calculation Window or auction in which the chosen benchmark or reference rate is determined.

Consequently, these hedging activities may have an impact on the level at which benchmarks or other reference prices are set and the volatility in related markets. Where HSBC enters into hedging transactions before the benchmark Calculation Window or auction, it does so with the intent to minimise the market impact of executing Benchmark Orders and in a manner consistent with HSBC's policies and procedures.