

Liquidity Provider Disclosure in FX Market

Bank of China Limited

1. Introduction

This Disclosure applies to the market making activities of Bank of China Limited (“We” or “Bank of China”) as a liquidity provider in the domestic and international wholesale foreign exchange markets. Market making herein means providing bilateral quotes (the bid/ask prices at which we are willing to buy/sell) for currency pairs continuously and enter into transactions at quoted prices as promised. This Disclosure is intended to provide certain information for our clients/counterparties (“You”) on our foreign exchange activities and for the fulfillment of the requirements in the FX Global Code and China FX Code.

Whereas the relevant authority-in-charge or trading venues have provided other requirements, specification by agreements, or customary practices for market making activities and their disclosures, such other requirements, agreements and customary practices shall be followed.

Unless otherwise specified, all the terminologies used in this Disclosure are defined in accordance with those in the FX Global Code and China FX Code.

2. Key Disclosures

2.1. Capacity

We act as principal for our own account when entering into FX transactions, unless certain transactions or types of transactions are specified in advance by written agreements or statements to be agency transactions. In our principal capacity, we do not act as your agent or your fiduciary, nor in any other similar capacity on behalf of yourself as the counterparty.

2.2 Pre-hedging

Pre-hedging is the management of the risk associated with one or more anticipated client orders. Unless otherwise specified in advance by written agreements or statements, Bank of China may take pre-hedging activities and/or other hedging activities to manage our position for purpose of safeguarding the clients' interests, and will consider prevailing market conditions (such as liquidity), the size and nature of the anticipated transaction, the size of position, the risk management needs and other factors.

We may continue to conduct ongoing business, include but not limited to risk management, market making and executing orders for other clients during the pre-hedging activities.

Any pre-hedging transactions entered into by us may affect the market price or liquidity and may therefore affect the valuation of your transactions. If you do not wish us conduct pre-hedging for your orders (including certain orders or types of orders), please contact our client manager or our trader with whom you conduct price quote in advance of any order being accepted.

2.3 Last Look

Last look is a practice utilized in electronic dealing activities: when you send us a trade request against the quotes we provided before, we may perform the price and/or other validity checks during a short time horizon (Last Look Window) and have the final opportunity to decide to accept or reject that request.

We adopt Last Look solely for risk control, not to collect information without the intention to enter into any transaction. The purpose of price check is to make sure the quoted price is in line with the market price. Unless otherwise specified, we adopt Last Look in a symmetrical manner, which means when you send us a trade request via electronic trading system, we will not

execute your request if the deviation between the quoted price and the market price exceed our tolerance range (regardless the deviation is beneficial or detrimental to us) due to price fluctuation and other reasons. Last Look may consist of possible validity checks with the purpose to confirm that the transaction details contained in the request to trade are appropriate from an operational perspective and there is sufficient available credit. We may reject the request for reason such as lack of credit, inoperable transaction details or failure to meet certain compliance requirements. In some certain circumstances articulated in FX Global Code when your trade request may only be accepted after we have firstly entered into offsetting transactions and the volume traded in the Last Look window will be passed on to you in its entirety, we may reject your trade request if we cannot conclude the very offsetting transactions in the market.

In normal circumstances, when you send us a trade request via e-trading platforms, such as China Foreign Exchange Trading System (CFETS), against the quotes we have previously

provided, you will timely obtain the result whether your request is accepted by us or rejected¹.

Based on our own trading strategy, risk management, and other clients trading purposes, Bank of China may frequently conduct transactions in the market. Bank of China will abide by the guidance of FX Global Code in relation to the adoption and implementation of the Last Look. If we happen to conduct transactions during the Last Look windows which are similar in nature to your trade request, we are not using the information contained in your trade request in our decision and execution of such similar transactions.

3. Handling of Orders and Other Information Disclosure

3.1 Handling of Orders

You can send trade requests or orders to us using various channels pre-agreed between yourselves and our trading business unit. A trading request or order will only be considered to be received by Bank of China once we acknowledge it. We will provide you with a quoted price upon receipt of your

¹ For our FX market making activities on the China Foreign Exchange Trading System (CFETS), we will abide by all related rules and regulations of CFETS in relation to the adoption and implementation of the Last Look and we will set the window length for Last Look to be 0-2,500ms.

trading request or order, and if you accept our quoted price, we will then execute your order. However, if you do not accept a quoted price instantaneously, that may result in our quoted price no longer applicable. In such circumstances, you will need to request a further quote from us should you wish to trade.

3.1.1 Order Aggregation. *We will handle trade requests or orders from different clients in a fair and consistent manner. We may aggregate orders of different clients if the aggregation would benefit one or more clients, and/or the risk management result, and will not act in a manner that would disadvantage the client.*

3.1.2 Discretion. *You may submit an order requesting us to use our discretion to execute an order. You may choose to attach parameters to such orders (for example, “at-best” orders, “limit” orders, “stop loss” orders).*

Unless otherwise specified, we retain the sole 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, facilitate or otherwise enable us to execute or fill the order.

If we rejected your trade request or order, you are entitled to know the reason of our refusal or rejection.

3.1.3 Time Stamp. *The time of conducting the transaction with yourself will be recorded. The precision of timestamp may vary from minutes, seconds to milliseconds according to the nature of different types of trade request or order, the trading infrastructures and applicable regulations.*

3.1.4 Stop Loss Orders. *Stop loss order is a form of contingent order. During the period of validity, if the reference price is reached or exceeds a certain level, a buy/sell order of certain amount will thus be triggered.*

The final transaction price may be different from the certain price because of market price fluctuations and changes in liquidity conditions. The difference is called slippage. In line with market practice this slippage will constitute part of the transaction cost.

3.1.5 Partial-fill Orders. *We will take best effort to complete the transaction you requested. However, for limit orders, deal done in zero amount, partial amount or full amount during the period of validity can all be possible because of market price fluctuations and changes in liquidity conditions, and the execution results cannot be totally anticipated.*

3.2 Reference Prices

Bank of China will use pricing sources including those provided by third parties to reach a reference price in accordance with the principle of openness and fairness. The formation of such reference price may be related to the quotation and transaction activities of market participants, including Bank of China, and could be subject to integration by information service providers.

3.3 Markup / Fair Pricing Standard

Our goal is to offer fair and reasonable prices to you. Any firm or indicative price quoted by us is set by reference to comparable products in the market and also after taking into account a wide range of factors commonly taken into account by market participants, who are engaging in FX dealing activities similar to ours.

Any firm or indicative price or spread quoted by us is an “all-in” price inclusive of all costs and fees and mark-ups. Adding mark-ups is to reasonably compensate the risks we have taken and the costs we have incurred for the execution of the transaction.

Our mark-ups are based on a wide range of commercial factors, including the size of trade, market conditions, the potential

credit risk status of clients and counterparties, our own costs and transactions, and our risk preference. You and other clients or counterparties may receive different prices of transactions that are the same or similar because our all-in prices and mark-ups are tailored to individual clients and counterparties (if applicable).

3.4 Client Information Protection

3.4.1 Transmission and Usage of Confidential Information

Bank of China, under very specific circumstances, is entitled to transmit clients' confidential information in FX market in accordance with the "Need to Know" principle of China FX Code, including:

- (i) disclosure of confidential information to internal or external institutions or individuals is made only for justifiable reasons, such as for risk management, legal and compliance needs;*
- (ii) under no circumstances shall disclosure be allowed to any internal or external institutions or individuals who is shown by evidence may misuse or abuse such information;*
- (iii) unless for aforementioned reasons or with your consent, the confidential information shall only be used for original purposes.*

Bank of China has established relevant policies, procedures and code of conduct for the protection of clients' confidential information which provides that, among others: when dissemination of market colour, the clients shall be referred to anonymously or at a level of generality; the instruction, operation and position of the client shall not be disclosed (unless for purpose of specific transaction execution, processing, and settlement); the purpose and scope of public dissemination of information is subject to control, and the scope of Bank of China internal staffs who may have access to confidential information is also limited and subject to control; so as to protect your relevant confidential information from improper use.

Without violating the principles mentioned above, we may use information provided by you to inform our business decisions relating to mitigating and hedging against risk; We may share information about client activities amongst sales and trading personnel; and/or we may use or disclose information on an aggregated and unattributable basis to inform our view of the market and any related client-facing business, product or service. We may share client information with regulators and in accordance with any applicable law or regulation only as necessary to fulfill the responsibilities, and to respond to

general and specific regulatory and other requests with which we are required to comply. Other than the above, we will not disclose the transaction information to irrelevant third-parties unless we have obtained your consent or the disclosure is made in accordance with the applicable laws and regulatory requirements.

4. Miscellaneous

If you have any question after reading this disclosure or concerning our dealings with you, we encourage you to contact our client managers. By continuing transacting with us, you are deemed to have taken notice of, and agree to be bound by the arrangements as mentioned above.

This disclosure does not constitute legal advice or advice in any other form, and must not be relied on as such or as the basis of transactions. It is your responsibility to review and conduct your own due diligence on the relevant rules, legal documentations and any other information provided to you. If there is any conflict between this disclosure and the applicable laws, regulations, and regulatory rules of the place where the transactions are conducted, those applicable laws, regulations and regulatory rules shall prevail; however if there is any conflict between this disclosure and the contract or effective

agreements which we have concluded with you on individual basis, such contract or effective agreement shall prevail.

This disclosure is written in two language versions, being the English and Chinese. In case of discrepancies between the English and Chinese versions, the Chinese version shall prevail.