

**Standard Chartered Bank – Financial Markets Order  
Execution Policy**

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## 1. Purpose

Standard Chartered Bank (“SCB” or “the Bank”) is required under the Markets in Financial Instruments Directive (MiFID) to provide clients of financial markets with information on its Order Execution Policy (“the Policy”). This includes information on how Best Execution obligations apply to clients and to set out how Best Execution applies in terms of SCB’s global footprint. SCB is further required to obtain clients consent to the Policy. For the avoidance of doubt clients will be considered to have consented to the Policy on trading with SCB.

The Policy also sets out SCB’s obligations in respect of handling orders in a prompt, fair, and timely manner taking into consideration the relative priority of Orders, including SCB’s approach to aggregation and allocation of orders.

## 2. Best Execution Obligation

In executing orders for clients where SCB owes clients Best Execution, the Bank is required to take all sufficient steps to obtain the best possible result taking into account the appropriate Execution Factors.

While Regulatory Best Execution obligations will not apply in all cases, SCB’s is committed to operate to the best global standards and put appropriate execution arrangements in place. These arrangements may use SCB internal methodologies and will not necessarily consider the same elements required where Regulatory Best Execution obligations apply.

## 3. Geographical and Client Scope

The Policy applies to Professional Clients for the provision of services in relation to Financial Instruments by a European Economic Area (EEA) entity of Standard Chartered and their branches as applicable. Those services include sales and trading coverage, and investment and ancillary services, without making a distinction on whether the client is resident in the EEA (collectively; “SCB”).

The Policy does not however apply to transactions executed with non-EEA subsidiaries of SCB.

## 4. Transactional Scope

In order to provide Best Execution when Executing an Order on Behalf of a Client, SCB will assess whether the client is placing legitimate reliance on the Bank to protect their interests in relation to pricing and other key elements of the transaction. Where a client is assessed to be placing legitimate reliance on the Bank, this policy will apply.

SCB will be in receipt of an Order where an execution instruction is given that affects a contractual obligation either executable immediately, or where there is discretion available to SCB in the manner of execution and the exact terms of the transaction. For example, there is an increased likelihood of reliance where discretion is applied, as is the case where SCB executes a limit, stop loss, or at best Order or in a situation where SCB works a client Order over a period of time.

For Markets in which SCB operates on an RFQ basis with professional clients there is a requirement for SCB to assess whether the client is placing legitimate reliance on the Bank. The application of Best Execution will require SCB to consider the nature of request and the starting point in these markets is that the client does not place legitimate reliance on SCB. SCB will, as required, undertake a test of reliance in these situations in line with the UK regulation adopted by the UK Financial Conduct Authority (“the FCA”) under MiFID, and where it is determined legitimate reliance this Policy will be applicable.

## 5. Product Scope

The Policy applies to transactions executed in “Financial Instruments” as listed in appendix 1.

SCB is committed to providing its clients with the highest quality service and operating to the best global standards for our clients. As such we aim to apply the Policy to Spot FX transactions which are not formally subject to Regulatory Best Execution requirements.

## 6. Assessing Reliance

As referred to in Section 4 to determine legitimate reliance SCB will apply the four-fold cumulative test the FCA has suggested may help determine legitimate reliance. The four factors to consider are:

- (1) whether the firm or client instigates the transaction(s),
- (2) market practice – specifically market convention for clients to shop around,
- (3) the relative levels of transparency within a market, and
- (4) information provided to clients by the Bank and the terms of our agreement with the client.

## 7. Execution Factors

SCB will determine the relative importance of relevant execution factors, not all execution factors will be applicable to all products, the factors are set out below:

**Price** - Ordinarily, the Bank will consider price to be the most significant factor in the execution of a transaction, however there may be circumstances where other Execution Factors should be prioritised over price. In taking all sufficient steps, our front office staff will use their commercial judgement to achieve the best possible outcome for the transaction, taking into account the following factors, in addition to price, to determine the manner in which your Order will be executed:

**Costs** - The best price may not always offer the best result for a Client if it comes with a high cost, either explicit or implicit. Explicit costs include transaction costs (e.g. settlement costs) and implicit costs result from how a trade is executed (e.g. as an immediate or standing order or in a block).

**Speed** - Volatility and liquidity may mean that for certain orders timeliness of execution becomes more dominant, for example in a situation with low liquidity the time horizon for achieving best execution may be extended. Where the Bank considers the cost of an adverse market movement is likely to be great, speed of execution may be very important.

**Likelihood of execution or settlement** - The likelihood that the Bank can source adequate liquidity with sufficient depth of market, having necessary credit facilities and clearing services in place to guarantee settlement.

**Size of the Order** - Ensuring that Orders are executed in a manner which is suitable to the size requested and does not place an inappropriate impact on the market

**Nature of the Order** - The particular characteristics of an Order, such as whether it is a quote or limit order are always relevant to how it is executed.

**Any other consideration relevant to the efficient execution of the Order** - Includes, but are not limited to, counterparty, liquidity and market risks in addition to factors relating to the management of our bank / client relationships.

Once we have accepted your Order, we will consider the different Execution Factors in the context of the instructions that you have provided per section 10 of the Policy. The Bank will determine the relative importance of each factor based on the Execution Criteria below.

## 8. Product Supplements

For information regarding the Bank's Order execution arrangements in respect specific classes of Financial Instruments please refer to the relevant product supplement (all together "the Supplements").

The supplements set out, amongst other topics, more detail on the application of best execution in a specific market. The applicable supplements should be viewed in conjunction with the scope and application of this Policy.

The supplements also provide further colour on the application of legitimate reliance and the relative importance of the execution factors for different types of activity.

## 9. Execution Criteria

The Execution Criteria that will be taken into account when weighing the relative importance of the Execution Factors are the characteristics of: the client, transaction, Financial Instruments and, where applicable, the Execution Venues to which that Order can be directed.

Further information is provided in the product supplement for a specific asset class.

## 10. Specific Instructions

Where the Bank accepts an Order with reasonable specific instructions in relation to some or all aspects of handling your Order (including executing at a particular price or time or through the use of a particular strategy), in following your instructions, the Bank will be deemed to have satisfied its Best Execution obligation in respect of that Order.

A specific instruction could include a direction to execute at a particular time, or to break an order into defined sizes for execution.

Where your specific instructions only cover a portion of an Order, and we have discretion over the execution of other aspects of the Order, then we will continue to owe you Best Execution on the aspects not covered by your instructions.

When executing your Order in line with your specific instructions, it should be recognised that the outcome may differ from an Order in which the Bank has discretion and owes Best Execution, and there is no obligation for you to provide specific instructions to SCB when submitting an Order.

## 11. Execution Venues

SCB will act in a principal capacity when Executing a Client Order and generally seeks to internalise Orders, whereby you trade with the Bank as Principal, on the basis that we can meet our Best Execution obligation on a consistent basis by doing so.

Where the Bank trades as principal it will use a number of execution venues including Regulated Markets, Multilateral Trading facilities, Organised Trading Facilities, Systematic Internalisers, and Market Makers as liquidity providers. The selection will be made at SCB's discretion.

The Bank uses appropriate internally and externally available information on execution venue metrics to conduct ongoing assessments of the quality of the execution provided to clients through internalisation. SCB will continually monitor the available information and as additional information and external data becomes available this will be incorporated into the Banks pricing controls and reviews. This also includes the assessment of the ongoing efficacy of the service and execution provided to SCB when conducting market making activity or managing its own risk through available liquidity providers.

Based on the above considerations for OTC derivative transactions SCB will check the fairness of a price when proposing it to clients.

## 12. Execution Cost / Sales Margin

Clients may be charged an additional spread, mark-up, fee or commission for providing the execution. Where applied to a Client's Order, the margin charged by the Bank is determined taking into consideration a variety of factors, including complexity of trading strategies, service levels and cost of funding the transaction and a reasonable return on equity.

Transaction costs are calculated as the difference between the "all in client price" and the SCB Price. Costs will vary depending on, amongst other things, the nature of the transaction, market, and counterparty. The costs associated with a transaction include: client coverage, operational factors, balance sheet and regulatory capital usage, hedging and liquidity access, and valuation adjustments for derivative transactions.

For certain products or types of business activity, fees may be charged in the form of commissions which are separate from and in addition to the traded price for a particular transaction. SCB does not structure or charge commissions in such a way as to discriminate unfairly between Execution Venues.

## 13. Order / Quote Handling<sup>1</sup>

When handling Orders (e.g. executing, recording and allocating), our objective is to carry out otherwise comparable Orders sequentially and promptly unless the characteristics of the Order or prevailing market conditions make this impracticable, or the best interest of the Client require otherwise. Orders will not be treated as comparable if they are received by different channels and it not practicable for them to be treated sequentially. Any information in respect of Orders (pending or executed) is treated as confidential and the Bank's policies prohibit the misuse of this information.

In the scenario that a client updates an Order with a change to price or an increase in volume it may impact the relative position in the order queue and as such impact the outcome of the execution.

Transactions submitted for execution electronically, for example via an external venue or API, or SCB User Interface, will be considered live when electronically accepted. This should generally be equivalent to the time of submission.

Voice Orders, placed by contacting a relevant SCB sales person, are defined as orders placed via a call to an SCB salesperson or sent manually via email or chat platform. will only be considered live when acknowledged by SCB.

The Bank offers, amongst others, the following resting Order types on a principal basis; stop loss, take profit, limit, and deal at best Orders. With reference to the trigger point for resting Orders it will be made transparent to Clients whether a market will be required to trade at a level that incorporates certain costs and charges (for example: mark-up) or whether the execution will take place at a "clean price" and those costs and charges will be applied after execution.

Certain Orders that you have instructed us may have non-standard characteristics, such as the size of the Order being larger than the standard market size and/or the liquidity available at best price in the market at the time of order

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<sup>1</sup> Please see [additional disclosures](#) relevant to the execution of orders by SCB

receipt. The Bank may use its discretion for such Orders, unless specified otherwise by you, to split them into child Orders which may then be dealt according to a trading schedule which reduces the overall market price impact of your Order. The Bank's discretion shall apply to the timing of the release of the child orders, the size of the child orders and the target price of the child orders whilst always respecting any limit price instructed on your Order.

SCB will endeavour to promptly inform clients subject to this policy should there be material difficulties impacting the Banks ability to execute an Order.

In all circumstances where there is discretion, SCB will use its professional judgment to give due consideration to relevant execution factors.

Further information can be found in product specific supplements.

## **14. Order Aggregation & Allocation**

The Bank will not aggregate client Orders or the Bank's own transactions, unless it is unlikely the aggregation will work to the disadvantage of any Client who's Order has been aggregated.

In the event an Order is aggregated with a transaction for the Bank, it will not allocate in priority to itself over a Client. However, if the Bank is able to demonstrate on reasonable ground that without aggregation it would not have been able to carry out the Order on such an advantageous term, then the Bank may allocate the transaction proportionately.

In some cases, liquidity conditions may restrict our ability to fill the full amount of outstanding Orders, resulting in partial fills. In such circumstances, the resulting partial fills will be allocated on a volume-weighted average basis.

## **15. Trading Obligations**

SCB will ensure that transactions executed, with financial counterparties as defined in EMIR and non-financial counterparties exceeding the EMIR clearing thresholds, in derivatives that have been declared subject to the trading obligations defined in MiFIR or listed in the register provided for in MiFIR are concluded only on Regulated Markets, MTFs, OTFs or Equivalent Third-country Trading Venues.

## **16. Reporting Requirements**

In line with regulatory requirement, on an annual basis, SCB will make public the top 5 Execution Venues in terms of trading volumes for each class of financial instruments, where we have executed Client Orders in the preceding year together with information on the quality of execution obtained. This will include where SCB is the Execution Venue for the Execution of Client Orders.

SCB is also required to produce a supplementary summary alongside reports on the top five Execution Venues to explain its analysis and conclusions on the quality of execution obtained on the Execution Venues where client Orders were executed in the given class of financial instruments. The report will include, amongst other things, an explanation of the relative importance that SCB gave to the execution factors when assessing the quality of execution obtained for Client Orders:

SCB is further required to produce and publish quarterly reports of daily aggregated data pertaining to the quality of execution provided when executing client Orders in its capacity as a liquidity provider. This will be provided in line with SCB's regulatory obligations,

## **17. Conflicts of Interest**

SCB has policies and procedures in place designed to identify, monitor, and mitigate Conflicts of Interest. For the avoidance of doubt SCB does not participate in any payment for order flow arrangements.

For further information on conflicts of interest please see the [SCB website](#):

## **18. Client Requests**

Where this Policy applies SCB is required to provide clients, on request, evidence that Best Execution was provided on the transaction. SCB will endeavour to respond to all requests in a reasonable time period.

## **19. Monitoring & Review**

The Bank monitors the effectiveness of its Order execution arrangements on an on-going basis in order to identify and implement any appropriate improvements. We will be able to demonstrate to clients, at their request, that we have executed their Orders in accordance with this Policy.

The Bank reviews this Policy on an annual basis at a minimum or when there is a material change (a material change shall be a significant event that could impact the parameters of Best Execution such as the Execution Factors which affects our Order execution arrangements). We will notify you of any material changes to our Order Execution Policy, including any associated supplements or updates to our list of Execution Venues by posting an update on our website at:

<https://www.sc.com/en/banking-services/business-banking/financial-markets/Governance>

SCB has put in place appropriate governance processes to, on an ongoing basis, assess and monitor its Best Execution arrangements. This includes the obligations around Order handling, monitoring, and reporting. The best Execution Governance Committee (“the Committee”) meets on a regular basis to review the relevant arrangements and management information pertaining to Best Execution. The committee is required to consider and implement any updates or enhancements required to meet the obligations to provide clients with the best possible result. As part of the Committee’s responsibilities it will also oversee the annual review of the Policy and any material changes identified through the review process.

## **20. Consents and Instructions<sup>2</sup>**

In respect of Best Execution and Order handling, the Bank is required to obtain:

- your prior consent to this Order Execution Policy and relevant supplements. If you place an Order with SCB you will have been deemed to have provided consent.
- your express prior consent to executing any Order outside a Regulated Market in the EEA, Multilateral Trading Facility or Organised Trading Facility, for the avoidance of doubt when executing outside a Trading Venue the key risk is counterparty risk; and
- your express instruction for the Bank to exercise its discretion as to whether to make limit orders public, where you give the Bank limit orders in relation to shares in equities admitted to trading on an EEA Regulated Market and those Orders are not immediately executed under prevailing market conditions.

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<sup>2</sup> Should you require further information on the above please contact your usual Sales contact or Relationship Manager.

## Supplement 1 -

### Foreign Exchange (including Precious Metals) & Commodities (FEC)

#### **1. Purpose:**

This supplement provides additional guidance on SCB's approach to Best Execution in respect of FEC transactions, including execution of transactions in precious metals. This is a supplement to the overarching Order Execution Policy and should be read in conjunction with that document.

#### **2. Product scope:**

The FX products covered by this supplement are Spot FX and Precious Metals, FX Forwards (deliverable and non-deliverable), FX Swaps, commodity swaps, futures, and options.

London Metals Exchange (LME) trading activity is not captured within the scope of this supplement.

#### **3. Price References:**

SCB is the only Execution Venue for executing transactions in FEC products.

Transactions are executed against internal SCB liquidity and the Bank may aggregate transactions arising from multiple clients. SCB may hedge the risk arising from such transactions with consideration to maximising efficiency in respect of clients.

The SCB Price is derived based on external and internal reference prices to endeavour that the best prices are available on a consistent basis.

For FX products the SCB Price will be formed with reference, unless otherwise indicated, the mid top of the book price before additional adjustments or costs are incorporated.

In terms of benchmarking price SCB will follow a methodology based on the observable prices available in the market, where external data available is limited in scope or quality, internal data may be used as a reference, (for example executed prices of comparable trades). Benchmarks may further be modified to make an appropriate comparison. For options benchmarking includes benchmarking inputs to the option pricing against internally and externally available volatility surfaces.

For further information on costs see section 12 of the overarching Order Execution Policy

#### **4. Order types<sup>3</sup>**

In determining whether Best Execution applies SCB uses the test of legitimate reliance (as described in section 7 of the overarching Order Execution Policy).

The FEC Products are in the majority traded on a Request for Quote (RFQ) basis where Professional clients approach SCB for a quote. A Client then determines for themselves whether they want to enter in to the transactions on those terms. The FEC market is generally liquid and transparent. Clients typically "shop around" and have an informed view on pricing. In these cases SCB has determined clients will not in general legitimately rely on the Bank for Best Execution.

For products executed in less liquid markets, situations where there is limited transparency available to clients, or where clients do not have access to multiple sources of liquidity there is likely to be a greater degree of legitimate reliance placed on SCB.

In addition to RFQ business the Bank may also offers the below order types on a principal basis. Not all order types will be available for all FEC transactions:

- a) Resting Orders: stop loss, take profit and other limit orders<sup>4</sup>
- b) Immediate Orders: Immediate or cancel (IOC),
- c) Market Orders, including: at best and not worse than.
- d) Algorithmic orders
- e) Reference Time Orders
- f) Fixed Price

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<sup>3</sup> Please see [additional disclosures](#) relevant to the execution of orders by SCB

<sup>4</sup> Limit orders may be in force for varying time periods based on client instructions. These can include instructions such as: Good Till Date (GTD), Good To Cancel (GTC) please discuss with your SCB salesperson as required.

- g) Benchmark / Fixing orders
- h) Call-backs
- i) Combinations of the above order types (e.g. a stop limit order)

SCB has determined that Best Execution obligations are more likely to be owed when executing orders with the characteristics of A, B, C, D or E.

For the avoidance of doubt where SCB executes Fixed Price or Benchmark / Fixing orders or provides a call-back it is assumed that these are specific instructions for this element of the execution and when executed in accordance with these parameters there is no remaining Best Execution obligation placed on SCB.

## 5. Execution Factor Priority:

For transactions in FEC products the predominant execution factors will generally be Price followed by Likelihood of Execution. SCB looks at Price and Cost distinctly in the context of the SCB price achieved by the trader, and separately the costs associated with the all in client price as set out in section 12 of the main document.

The table below gives a more detailed indication of Execution Factor prioritisation. There may however be scenarios in which the relative importance of these factors is subject to change:

Order Type	Order Explanation	Execution factor Priority
Market Orders such as: at best or reference time orders	Orders given without a price limit	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Likelihood of Execution</li> <li>3. All other factors equal</li> </ol>
Stop loss / take profit or other Limit orders	Resting Orders left by a client to execute once the market reaches a pre-determined level.	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Likelihood of execution</li> <li>3. Speed</li> </ol>
Immediate Orders (e.g. IOC)	Orders to be fully executed on acceptance	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Speed</li> <li>3. Likelihood of execution</li> </ol>
Algorithmic Orders (e.g. Iceberg, TWAP, or VWAP)	Orders executed utilising a pre-determined set of electronically controlled and programmed parameters	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Size</li> <li>3. Likelihood of execution</li> </ol>

For larger trades, relative to available liquidity, size may become proportionality more important to the Execution Factor analysis. Other factors may be considered where the Client channel or the nature of the market at the time of the order requires additional consideration.

For options there are specific order types available. SCB has determined that for these order types there is likely to be a greater level of reliance placed on SCB.

Spot	Orders based on the underlying spot price. Once the sport rate reaches a pre-determined level the option will be executed; considering volatility, interest rates, and other relevant parameters to determine the premium of the option.	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Size</li> <li>3. Likelihood of execution</li> <li>4. Speed</li> </ol>
Premium	Orders where the option is executed at the point a given premium is achievable; based on relevant parameters such as spot price, Interest rates, and volatility	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Size</li> <li>3. Likelihood of execution</li> <li>4. Speed</li> </ol>
Volatility	Orders where the option is quoted as the difference in volatility between similar call and put options	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Size</li> <li>3. Likelihood of execution</li> <li>4. Speed</li> </ol>

For the above option orders where there are relatively lower levels of liquidity size can become an increasingly important execution factor.

## 6. Order / Quote Handling

In making a determination as to whether a limit order such as a stop loss or take profit has triggered, the Bank will, as a default, use a market observable price (“primary liquidity source”). Clients may be provided with optionality in terms of the reference price and use of the SCB price vs. a market observable price however the default will be market observable price where there is sufficient liquidity.

The all-in client price (the combination of price and costs associated with dealing) will differ from the trigger level on the basis of execution cost / sales margin as set out in section 12 of the overarching Order Execution Policy. For FEC limit orders, the trigger level will be based on a clean price unless otherwise indicated.

For some instruments, this may mean that the market will need to trade at a price which is equal to the client Order plus / minus any sales margin before execution can be effected. On occasion this can result in the order execution not being effected due to the additional sales margin, although the market price reached the Order level, or beyond.

Where it is unlikely aggregation will work against the client and with the exception of at best Orders, generally the Bank will internalise FEC Orders and work order types on aggregate basis.

All At Best Orders will be worked on a first in first out (“FIFO”) basis; however, in the event that the working of an At Best Order triggers an existing Stop Loss Order, the remaining fill requirement of the deal At Best Order will be aggregated with that Stop Loss Order and allocated on a volume weighted average basis.

Last look is utilised by SCB and this involves a symmetrical check which is used to protect against the prudential risks that both SCB and its clients face in relation to adverse price movements in the market. This check is calculated using a quantitative, pre-defined tolerance which will protect against variances and prevent the execution of transactions where the variance exceeds the thresholds. A transaction may be rejected if there is a breach of the threshold in the price between the time at which the client’s request was priced and when the order was received for processing.

Further information on last look can be found on the the SCB website via [Order Execution – Additional Disclosures](#)

## 7. Execution Channels

### Electronic

SCB handles FEC transactions for clients using electronic and voice execution channels. Where SCB streams electronic prices to clients and trades are executed through an electronic platform, for SCB this will predominantly be S2BX. Best Execution will be monitored primarily in the context of price and likelihood of execution (this will include reporting on fill and rejection rates).

SCB systems handle orders using either manual and/or automated flow. In general orders below a certain size will be handled via an automated flow however there may be occasions where manual order handling may be triggered. Other Manual orders may be placed electronically through the S2BX platform where marked to be handled manually. SCB reserves the right to employ an auto-execution / auto-fill systems for transactions below a dynamic threshold for products that can be handled via automation.

#### Voice

Voice Orders are defined as orders place via a call to an SCB salesperson or sent manually via email or chat platform. To demonstrate where Best Execution is owed to a client an SCB employee is required to electronically record the order details. An order will be considered live when it is acknowledged to the client by SCB.

For voice orders with specific instructions if market conditions change and the instructions can no longer be followed SCB will attempt to contact the client to determine an appropriate course of action where an alternative has not been previously agreed. For example in the scenario where there is a gapping market and where a client has previously placed a limit order.

## Supplement 2 - Credit Trading: Bonds

### **1. Purpose:**

This supplement provides additional guidance on SCB's approach to Best Execution in respect of transactions in credit securities instruments. This is a supplement to the overarching SCB Order Execution Policy and should be read in conjunction with that document.

### **2. Product scope:**

The credit securities instruments covered by this supplement are Bonds; including sovereign and corporate bonds across investment grade, high yield, and distressed trading (referred to in remaining document as ("Bonds"))

### **3. Price References:**

SCB is the only Execution Venue for executing transactions in Bonds. Price is derived based on external and internal reference prices to ensure that the best prices are available on a consistent basis.

In terms of benchmarking prices, SCB will follow a methodology based on the observable prices available in the market, where the external data available is limited in scope or quality, internal data may be used as a reference, (for example executed prices of comparable trades). Benchmarks may further be modified to make an appropriate comparison.

For further information on costs see section 12 of the overarching Order Execution Policy.

### **4. Execution Factor Priority:**

For transactions in Bonds the predominant Execution Factors will generally be Price and Size followed by Likelihood of Execution.

There may be circumstances which impact the relative importance of execution factors. Other factors may be considered where the client channel or the nature of the market at the time of the order requires additional consideration.

### **5. Order / Quote Handling:**

In determining whether Best Execution applies SCB uses the test of legitimate reliance as set out in the overarching Order Execution Policy.

For products executed in less liquid markets, situations where there is limited transparency available to clients, or where clients do not have access to multiple sources of liquidity there is likely to be a greater degree of legitimate reliance placed on SCB. In less liquid markets, the Likelihood of Execution may also become a more important Execution Factor.

There are three approaches relevant for Bonds: Request for Quote (RFQ), Bid Wanted In Competition (BWIC), and Resting Orders.

Bonds are predominantly traded on a RFQ basis where Professional Clients approach SCB for a quote. A Client then determines for themselves whether they want to enter in to the transactions at the quoted level. For markets that are generally liquid and transparent SCB provides quotes on the basis that the Bank is in competition and clients have an informed view on pricing. In these cases SCB has determined clients will not in general legitimately rely on the Bank for Best Execution.

The majority of transactions handled by SCB will be on the basis of RFQ, including platforms where SCB will stream quotes, however there are limited circumstance in which the Bank may take a resting order. Resting orders in Bonds includes limit orders to trade once the market reaches a pre-determined level. SCB has determined that Best Execution obligations are more likely to be owed when executing resting orders on behalf of clients.

While in receipt of a resting order SCB reserves the right to continue to make two-way quotes as a market maker or liquidity provider.

In circumstances in which a BWIC process is undertaken, and there are multiple recipients involved, SCB has determined that clients do not legitimately rely on the Bank for Best Execution. The basis of this assessment is that the bond list is sent to multiple market participants who make bids on the list, The investor then ultimately decides which bid to execute against.

## **6. Order Execution Channels**

Transactions may take place through both manual methods (including voice, email and chat platforms) and electronic trading platforms.

## Supplement 3 - Rates

### **1. Purpose:**

This supplement provides additional guidance on SCB's approach to Best Execution in respect of transactions in Rates instruments. This is a supplement to the overarching Order Execution Policy and should be read in conjunction with that document.

### **2. Product scope:**

The Rates products covered by this supplement are: interest rate swaps, cross currency swaps, government bonds, swaptions, collectively: "Rates".

### **3. Price References:**

SCB is the only Execution Venue for executing transactions in Rates. Price is derived based on external and internal reference prices to ensure that the best prices are available on a consistent basis.

In terms of benchmarking price SCB will follow a methodology based on the observable prices available in the market, where external data available is limited in scope or quality, internal data may be used as a reference, (for example executed prices of comparable trades). Benchmarks may further be modified to make an appropriate comparison.

For further information on costs see section 12 of the overarching Order Execution Policy.

### **4. Execution Factor Priority:**

For transactions in Rates the predominant Execution Factors will generally be Price and Size followed by Likelihood of Execution.

There may be circumstances which impact the relative importance of execution factors. Other factors may be considered where the client, channel or the nature of the market at the time of the order requires additional consideration.

### **5. Order / Quote Handling:**

In determining whether Best Execution applies SCB uses the test of legitimate reliance.

For products executed in less liquid markets, situations where there is limited transparency available to clients, or where clients do not have access to multiple sources of liquidity there is likely to be a greater degree of legitimate reliance placed on SCB. In less liquid markets the Likelihood of Execution may also become a more important Execution Factor.

SCB handles Rates transactions in multiple markets and these markets have different underlying characteristics. SCB views the Rates business as divided in to the following markets, listed in order of available liquidity and price transparency:

- G10:
- liquid emerging markets,
- Emerging markets, and;
- Frontier.

Rates are predominantly traded on a RFQ basis, including where SCB streams quotes where Professional Clients approach SCB for a quote. The client then determines for themselves whether they want to enter in to the transactions on those terms.

For the most liquid markets price formation generally takes place via Electronic Communication Networks (ECN) through a Central Limit Order Book. In less liquid markets there is a greater prevalence of OTC channels for price formation including dealer to client platforms and voice channels for provision of quotes (RFQ).

For markets that are generally liquid and transparent SCB provides quotes on the basis that the Bank is in competition and clients have an informed view on pricing. In these cases SCB has determined clients will not in general legitimately rely on the Bank for Best Execution. For less liquid markets described above, where price formation is more subjective, SCB has determined there is a greater Reliance placed by the client on SCB.

For emerging and frontier markets client specific factors will be increasingly important. SCB is also typically required to warehouse a greater degree of risk and hedging is more difficult to price as available liquidity required to hedge exceeds that available in the market.

Where SCB takes auction orders, the client submits an order to trade in a particular auction and there is transparency in terms of the auction mechanism. SCB does not exercise discretion in terms of the execution or allocation of bonds and SCB does not consider there to be Best Execution obligations arising in these circumstances.\

The majority of transactions handled by SCB will be on the basis of RFQ however there are limited circumstance in which the Bank may take a resting order in Rates. Resting orders in Rates mean limit orders (including stop loss orders) to trade once the market reaches a pre-determined level. SCB has determined that Best Execution obligations are more likely to be owed when executing resting orders on behalf of clients.

In the scenario where SCB has accepted a resting order the impact of execution cost (e.g. liquidity / XVA costs) and sales margin will be made transparent to clients so it is clear at what level a transaction will be executed.

While in receipt of a resting Order SCB reserves the right to continue to make two-way quotes as a market maker or liquidity provider.

## **6. Order Execution Channels**

Transactions may take place through both manual methods (including voice and chat platforms) and electronic channels (such as dealer to client platforms, and ECN's).

## Appendix 1

1. Transferable securities;
2. Money market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, emission allowances, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, a MTF, or an OTF.

## Appendix 2 - Glossary

**Best Execution or Regulatory Best Execution:** The regulatory obligation to take all sufficient steps to obtain the best possible result for clients when executing orders (or receiving and transmitting orders) on their behalf, taking into account Execution Factors.

**Central limit order book (CLOB):** A trading protocol in which outstanding offers to buy or sell are stored in a queue and are filled in a priority sequence, usually by price and time of entry. Orders to buy at prices higher than the best selling price and orders to sell at prices lower than the best buying price are executed. CLOBs are common for highly standardised securities and markets in which trade sizes can be small.

**Connected Parties:** means any SCB Group entity or branch of such entity, other than those set out in section 3 of the main Policy, through which such SCB entities executes or transmit Orders.

**EEA:** the European Economic Area.

**Electronic Communication Network (ECN):** A system that electronically matches buy and sell orders for securities.

**EMIR:** Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

**Equivalent Third-country Trading Venue:** a non-EEA venue assessed as equivalent to a Trading Venue in accordance with Article 25(4)(a) MiFID II.

**Executing an Order on Behalf of a Client:** acting to conclude agreements to buy or sell one or more financial Instruments on behalf of clients.

**Execution Factors:** this will include factors such as price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of a particular order.

**Execution Venue:** a Regulated Market, an MTF, a Systematic Internaliser, or a market maker or other liquidity provider or an entity.

**MiFID:** the Directive 2004/39/EC of the European Parliament and the Council of 21 April 2004 on Markets in Financial Instruments and any implementing directives and local regulations and subsequently MIFID II: the Markets in Financial Instruments Directive 2014/65/EU

**MiFIR:** Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.

**Multilateral Trading Facility or MTF:** a multi-lateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract in accordance with the provisions of Title II of MiFID II.

**Organised Trading Facility or OTF:** a multi-lateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.

**Order:** An instruction received from a client whereby specific terms are attached to the instruction, including but not limited to where the transactions cannot be executed immediately. These instructions from clients may or may not result in the execution of a transaction. Such terms can include the following:

- time frames in which to execute a transaction;
- price limits applicable to the instruction; or
- where the client leaves discretion as to the manner of execution and exact terms of the resulting transaction.

**Professional Client:** Any natural or legal person that meets the criteria laid down in either Section I or Section II of Annex II of MiFID.

**Regulated Market or RM:** a multi-lateral system operated and/or managed by a market operator, which facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID II.

**SCB London:** this entity is defined as "Standard Chartered Bank" - incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18

**SCB Price:** The SCB Price is derived based on external and internal reference prices to endeavour that the best prices are available on a consistent basis. The SCB Price will be formed with reference, unless otherwise indicated, the mid top of the book price before additional adjustments or costs are incorporated.

**Systematic Internaliser:** an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client transactions outside a Regulated Market or an MTF.

**Trading Venue:** A Regulated Market, an MTF or an OTF.