



# CIMB Bank Berhad Treasury & Markets Foreign Exchange Business Practices

## A. INTRODUCTION

This disclosure statement sets out CIMB's standard terms of practice applicable to its foreign exchange business ("FX Business") when carrying out foreign exchange ("FX") trading activities with its clients in principal to principal transactions in the wholesale FX markets (where such clients together with other market participants are referred to as "counterparties"). "CIMB", "we" or "our" refers to CIMB Bank Berhad, its branches and its affiliates.

Notwithstanding the above, this disclosure is not intended to override any terms of business or product specific agreements CIMB has in place with its clients. In the event of any inconsistencies, those terms shall prevail. Furthermore, this disclosure is not intended to exclude any obligations CIMB owes its clients arising from any laws and regulations applicable to CIMB, its clients or any FX transactions entered into between them.

## B. CIMB'S ROLES

### (i) Principal Trading

CIMB acts in its capacity as principal and enters into transactions for its own account. When entering into transactions with its clients, it does so on an arm's length basis and does not act as a fiduciary, an agent, financial advisor or in any other similar capacity to its clients. At its discretion, CIMB may undertake one or more risks including but not limited to, market risk and credit risk in connection with a transaction. Before entering into a transaction, clients are expected to assess and evaluate the merits of the transaction based on all available facts, circumstances and their risk tolerances in connection therewith.

### (ii) Market Making

As a market maker, CIMB routinely stands ready to enter into transactions for its own account at prices determined by us. As such, when CIMB enters into FX transaction with its counterparties, it may result in the instantaneous transfer of market risk between the parties.

Our market making activities may include providing liquidity to counterparties by quoting two-way prices for certain markets<sup>1</sup>, inventory management and hedging to manage accumulated position as a result of engaging in market making activities. These activities may have an impact on the prices offered to clients and the availability of liquidity levels necessary to execute orders.

Additionally, as an active participant in the FX options market, there may be situations where routine hedging or trading activity undertaken by CIMB may unintentionally impact the movement of the underlying reference price of a barrier option and therefore trigger stop-loss orders, take profit orders, barriers, knock-outs, knock-ins and similar conditions. However, CIMB will attempt to avoid undue market impact when conducting these activities.

### (iii) Conflict of Interest

CIMB is committed to upholding high professional standards and ethical values and adhere to best practices and requirements published by relevant international groups and regulatory bodies in its dealings with clients. If CIMB acts in circumstances where it has a conflict of interest, CIMB will manage its activities in accordance to the relevant internal policies, procedures and other controls it has in place to mitigate these conflicts, consistent with its status as a principal, market maker and a regulated entity. In managing any actual or potential conflict of interest, CIMB in its sole discretion, may decline to enter into a transaction.

## C. ELECTRONIC TRADING

### (i) Electronic Market Making and Last Look practices

Typically CIMB provides indicative FX Spot price quotes on electronic trading platforms (either on a third party platform or an application programming interface ("API")), which receives trade request or request for stream ("RFS") from its clients, and which may be withdrawn at any time.

Where indicative prices are provided, based on an assessment of whether the client's trade request meets the firms' defined deal acceptance criteria, CIMB will follow the procedures applicable to the execution method and platform selected by the client but is not obliged to execute the request and may reject the request at its sole discretion. Generally, this deal acceptance process may be subject to a delay before they are considered for execution and is commonly referred to as "Last Look".

As part of this deal acceptance process, CIMB may apply a number of risk management and operational controls automatically such as credit, liquidity and malformed order checks (including checks against the currency pair, transaction size, trading tenor and client set up details) as well as latency arbitrage protection. Latency arbitrage (“LA”) protection is a high-frequency trading strategy used to front run trading orders and hence, the LA protection is introduced to prevent any acceptance of requests to trade that appear “on market” when initiated but are later found to have been “stale” or “off market” by the time the primary venues have refreshed their prices.

CIMB will comply with the maximum permitted Last Look window if prescribed by a third party venue, when its client trade via a third party venue. CIMB will apply “Last Look” symmetrically and would not pre-hedge when market making, which means trades will be rejected when the market moves in both directions (i.e. in clients’ favour or against them).

**(ii) Price Improvement**

CIMB may at its discretion, improve the FX rate requested by the client should the FX rate at which we are prepared to trade improves for the client in the period between the submission of a transaction request by the client and the acceptance of such request by us. This is known as a price improvement resulting in an improved FX rate for the client in comparison to the FX rate originally requested.

CIMB will give the full improvement of the FX rate beyond the level of tolerance applied to the transaction request, if price improvement is applicable. CIMB in its own discretion, may review the approach to offering price improvement. Due to reasons which include current CIMB or client-side technology limitations, price improvement may not be supported for all clients or products. Clients may also request that price improvement is not applied to their trading.

**D. EXECUTION**

**(i) Order Management**

Professional judgement will be used in executing orders with the aim of achieving the best possible outcome for the client. CIMB executes ‘Standard Orders’ and ‘Fixing orders’ (as explained below) on a principal basis. Generally, orders are instructions placed by a client to buy or sell a financial instrument with specific details around size, price, quantity, level or direction (including at market) as well as any known timing constraints such that no further action is required to establish the client’s obligation to execute that trade with CIMB. Orders can be placed through electronic platforms and/or by voice, however CIMB at its sole discretion may or may not accept those client orders.

**(a) Standard Orders (i.e. limit, stop loss, take profit, at best)**

Clients may choose to place orders with some details of the order execution left to the discretion of CIMB. Clients should be aware that in the ordinary course of business, CIMB may be active participant in the market and trading at close to order trigger levels. As such, the reference price may unintentionally be impacted which may result in orders being triggered.

**(b) Fixing Orders**

All fixing orders are subject to a pre-disclosed fee. When executing fixing orders, CIMB’s market making desk may need to hedge any associated risk by executing trades before, during, and after the fixing window, or may require manual execution by a voice trader in situations where automation is not possible.

In addition, CIMB is not required to disclose to a client that CIMB is handling other clients’ orders or CIMB orders ahead of, or at the same time as, or on an aggregated basis with, the client’s order. CIMB is under no obligation to disclose to a client why CIMB is unable to execute the client’s order in whole or in part.

**(ii) Order Prioritisation and Execution**

All orders accepted (with the exception of fixing orders that are aggregated) are processed in the order in which they are received by CIMB via an execution channel<sup>2</sup>. Under normal circumstances, when two orders with the same direction and at the same level are received, these orders will be processed on a first-come first-served basis. However, due to the speed of electronic processing there may be circumstances in which an order received for voice execution may be executed after a similar order is received via an electronic channel.

When orders are accepted, time-stampings are applied whenever possible. In the event any orders are amended or cancelled and resubmitted, these orders would be reprioritised according to the time of the amendment/resubmission.

CIMB, as principal, would execute orders with an attempt to make appropriate returns on the transaction where possible, taking into account our FX Business positions which includes our inventory strategy and overall risk strategy. CIMB’s decision on whether to execute an order are also subject to certain factors such as but not limited to prevailing market liquidity and conditions, existing inventory when acting as principal, as well as the need to prioritise other client orders.

CIMB is dedicated to acting honestly, fairly and professionally when dealing with clients and endeavours to ensure that the client receives accurate information regarding the execution of its order, including stop-loss orders. However, given the OTC<sup>3</sup> nature of the market, the fact that a level has been traded in the market is no guarantee that a limit order at that level will have been filled or a stop-loss/take-profit order will have been executed. In all cases, CIMB will be fair and reasonable and will use its professional based on available market information and liquidity to determine whether an order has been executed. In the absence of explicit instructions, clients may receive a partial fill of an order.

#### **(iii) Pre-Hedging and Risk Management**

When CIMB receives a request from a client for an interest in a potential transaction or request to enter into a transaction, this information may be used by CIMB as principal, to engage in pre-hedging and hedging activities in order to benefit clients in connection with such request and any resulting transactions. For the avoidance of doubt, CIMB is not acting as an agent for the client here but is doing so in its capacity as principal.

In view of facilitating a customer's potential FX transaction or request, any transaction entered into by CIMB, could be at different prices from the price at which CIMB executes the client's FX transaction, which may affect the market price or liquidity for such client's FX transaction and may result in profit or loss, to CIMB.

CIMB is not required to disclose or provide our pre-hedging intentions on a request-by-request basis from clients. Clients who do not wish for CIMB to pre-hedge a specific request should notify their respective sales person in writing. In addition, upon receiving an order, CIMB at its sole discretion may manage its risk and undertake any hedging activities in relation thereto.

#### **(iv) Mark up**

CIMB when acting as principal will provide an "all-in" indicative price or spread to clients which incorporates mark-ups and/or other charges over the price or spread. Unless the client has been informed of a firm price, these indicative prices may be withdrawn at any time at our own discretion. Prices provided are based on a broad range of standard commercial factors which includes but is not limited to the size and nature of the transaction, market conditions, CIMB's own cost and transactions, as well as the counterparty resource usage (e.g. capital, funding costs and balance sheet). CIMB is not obliged to disclose the components of its all-in price or the amount of revenue CIMB expects to earn on any particular transaction. The addition of margins to orders linked to or triggered at a specific price level (such as stop-loss order, take profit order, barriers, knock-outs and knock-ins) may impact whether the order is executed and/or the execution price.

#### **(v) Market Data Determination**

CIMB will always endeavour to determine in good faith and in a commercially reasonable manner the highs and lows of the FX market in accordance with prevailing market practices such as:

- Transactions used for the determination must occur between Monday 07:00 New Zealand Time and Friday 17:00 US Eastern Standard Time.
- Transactions will be observed on Reuters Matching (D2) or on other appropriate venues should prices not be available on this venue.
- Transactions must be of commercial size, noting that this amount will vary based on the currency pair and liquidity levels in that currency pair. For illiquid currencies or in extraordinary market circumstances for liquid currencies, CIMB may, at its discretion, determine the highs and lows of the FX market.
- For currency pairs that are not commonly quoted, the CIMB may, at its discretion simultaneously use one valid high or low trade, as described above, together with a tradeable price observable on the primary dealing venues noted above, in order to calculate cross-currency rates.
- Transactions executed at off-market prices are not taken into account when determining the high or low level, unless otherwise agreed by the parties.

#### **(vi) Pricing Continuity**

In the event of extreme market volatility and/or disruption, CIMB has, on some occasions, seen delays to the acceptance and execution of trade requests, pricing, price streaming and/or market data dissemination. CIMB is not obligated to provide pricing, price streaming or accept trade requests at all times and, in line with market practice, all electronic trading platforms used by the CIMB's FX Business have position limits, volatility and other controls, that in each case may temporarily suspend execution, pricing and price streaming during these periods.

## E. CONFIDENTIAL INFORMATION

### Information Handling

Protecting the confidentiality of client information is an important part of CIMB's FX Business. CIMB has in place arrangements designed to protect and safeguard client information in accordance with applicable local laws, rules and regulations. Client information will be handled with due care and diligence in accordance with such arrangements.

However, unless otherwise agreed, CIMB may:

- Use the economic terms of a client's transaction to effect and risk manage our or clients' transactions in order to source for liquidity and/or execute risk mitigating transactions. In such circumstances, the clients name will not be disclosed.
- Analyse and appropriately disseminate aggregated and anonymised client information to contribute to the provision of market colour which may include providing the general state of market conditions and/or in forming a market view. In doing so, information will be disseminated appropriately without compromising client confidentiality.
- In the course of sourcing for liquidity, where CIMB acts as a "riskless principal" where the execution is contingent on its ability to successfully offset the market risk with another liquidity provider, CIMB will make use of client tags on trade requests.

CIMB has in place internal policies and procedures designed to protect confidential information and ensure it is not used or disclosed improperly. In addition, as CIMB is a regulated entity, CIMB may also be required to disclose client information as required by law to our regulators, a court of law, and/or other supervisory authorities.

Should you have any queries relating to this disclosure and/or CIMB's FX dealings with you, please do not hesitate to contact your respective CIMB representative. Please note that this disclosure may be updated from time to time in order to address changing regulatory, industry and other developments.

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<sup>1</sup> by voice or through application programming interfaces (APIs), single and multi-dealer platforms, inter-dealer brokers, and exchanges

<sup>2</sup> either by voice or electronic

<sup>3</sup> over-the-counter