

Lloyds Bank Commercial Banking

Order Handling and Important Disclosures relating to FX & Commodities

1. Introduction

The purpose of this disclosure is to detail certain aspects of the trading relationship between you and Lloyds Bank Commercial Banking¹ (“us” or “we”) and to disclose our relevant practices when acting as a dealer, on a principal basis, in the FX cash, FX derivatives and commodity derivatives markets.

We do not trade in an agency capacity nor do we act as fiduciary, financial advisor or in any similar capacity on behalf of a counterparty. Therefore, we do not undertake or accept any of the duties or obligations that an entity acting in such a capacity would ordinarily perform. Our sales and trading personnel (including any electronic solutions via which you interact with us) do not act as brokers or agents to a counterparty. Acting in a principal capacity, we generally operate in “request for quote” markets and provide you with a quote in a particular financial instrument.

Trading as principal in the FX and commodity derivatives markets, we may have proprietary positions in, and/or may make markets in these instruments. We also may make price submissions and price requests that contribute to the official closing price or other reference prices for these instruments. These trades and positions and our price submissions and price requests may affect the price you obtain on any quote or order for FX and commodity derivatives that you place with us.

Lloyds Bank, its group companies, and its or their directors, officers, employees, associates and agents may have an interest in any securities or financial product mentioned in this communication. We have internal systems, controls and procedures to ensure that conflicts of interest are identified and appropriately managed.

Any transaction which you enter into with us is on the basis that you are able to make your own independent evaluation based on your own knowledge and experience and any professional advice which you may seek in relation to the financial, legal, regulatory, tax or accounting aspects of the proposed transaction

2. Order Handling & Execution

For certain products we may be willing to accept an “order” (as such term is used herein) from you at a specific price, value or market level. Whether we will agree to accept your order is completely at our discretion.

Where we are willing to accept an order from you, the price at which we would do so may include a mark-up over the price at which we have transacted, or may have been able to transact, in the market. We will inform you of any mark-up in advance.

Orders include: “limit orders”, which are orders to buy or sell when the market reaches a specified level; “at best” or “market” orders to buy at the best rate available; and “benchmark” orders to buy or sell at a reference price established by a third party at a particular point in time.

For the avoidance of doubt, requests for quotes, price streams or quotes, call levels and indications of interest are not orders as we do not consider you have given us an instruction to buy or sell a financial instrument that contains all the information we require to deal with you.

When your Order is accepted, we input it into our order management system and a time stamp is applied as soon as practicable. We also record the time of any execution of your Order. We manually execute client orders.

Unless we have expressly agreed otherwise in the terms of execution, we will exercise our discretion appropriately in executing your order, including whether to execute all or part of the order unless we have otherwise expressly agreed to different terms of

¹ “Lloyds Bank” is a trading name of Lloyds Bank plc and Bank of Scotland plc . Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Telephone 0207626 1500; and/or Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000., depending on which of these companies you have your execution relationship with.

execution. This means that we may interact with the market prior to a level being breached, in order to achieve a level that is close to your order.

If there is not sufficient market liquidity your order may be partially filled, unless you have informed us that a partial fill is not acceptable.

We aim to execute your order fairly and promptly relative to other orders and our own account transactions. In the event that we receive multiple orders for the same product, we will execute the orders sequentially as they were received, unless the characteristics of the order or prevailing market conditions make this impracticable.

If you have any specific instructions, always ensure these are agreed before placing your order. Unless we have expressly agreed otherwise with you, all orders are considered live or 'good' until the close of the trading day, or until you withdraw or cancel the order in good time prior to us executing that order with you.

Foreign Exchange is a 24 hour market and in managing your orders, we may utilise operational support to execute orders in a number of jurisdictions. Please note that contacting the FX desk outside of usual trading hours in London may trigger a requirement for additional 'Know Your Customer' information. We might not be able to assist you outside of London hours until these KYC requirements are met.

FX Limit Orders

As standard policy, stop loss orders, take profit orders or other limit orders will be executed on a 'best endeavours' basis. We cannot guarantee execution at the limit or level. As a result, the execution price may not be the same as the order limit but we will take all reasonable steps to minimise the difference. Market liquidity is variable and in disorderly markets this difference can be larger

We will exercise our discretion when executing an FX stop loss order with you, meaning that we may interact with the market prior to a level being breached. However, we will be willing to agree with you prior to accepting an order, that we will not exercise discretion in managing the order and you agree and acknowledge that this may result in a worse execution rate. If you have told us not to interact with the market before the level is breached, we will execute as soon as possible after the limit is breached.

We do not exercise discretion when executing an FX take profit order with you, and will execute the order immediately once the agreed level has been reached.

FX Benchmarks

To execute your requested benchmark order/time related request, we may interact with the market between receiving your order and the time the benchmark is set. Depending on the size of your order and the prevailing market liquidity our interaction with the market may affect the price you obtain.

We recognise and have designated controls to mitigate the specific risks associated with benchmark orders. We have in place protocols and increased segregation to govern the management and execution of your FX benchmark order to minimise any conflict of interests and minimise undue impact on the market.

For further information more generally about our relationship with the way certain benchmarks are determined, please refer to our Benchmark Transparency Statement.

Commodity Limit Orders

In relation to stop loss orders and "target" orders for commodity derivatives, we will always execute immediately once the agreed level is breached, on a 'best price available' basis, subject to any price limits on stop loss orders you may agree with us. Your order will then be booked and affirmed by us during London business hours. We will interrogate the market to identify the most appropriate source of liquidity during the normal trading hours for the underlying commodity.

While we will not use our discretion in relation to commodity limit orders prior to the level being breached, we will use our discretion in determining when a level is breached.

Your order will be watched during the normal trading hours for the commodity index, unless agreed more specifically with you. Any cancellations or amendments to an order can only be accepted during London business hours, and as long as the order remains unfilled.

A mark-up is applicable, and will be agreed with you on accepting the order, and recorded in the order summary. The "Order Level" will be treated as a net price including mark-up and we will work on the basis that partial fills will be acceptable, unless otherwise agreed with you.

3. Last Look in FX

Lloyds Bank provides FX liquidity in spot and forward FX over electronic trading platforms, including our own 'single dealer' platform containing only our prices, as well as other 'multi dealer' platforms.

Whilst we always provide pricing with an intention to trade, these prices are indicative, and we may accept or reject a trade request at our discretion based on a number of pre-trade controls, including credit checks, internal risk limits and 'Last Look'.

We do not apply 'Last Look' on our own single dealer platforms such as Arena. We apply 'Last Look' on multi dealer platforms in order to mitigate any impact of stale pricing due to latency, to protect against technology constraints, and as a risk control. By mitigating these risks we ensure that we can offer clients tighter spreads between bid and offer prices and thereby provide greater liquidity.

Our implementation of 'Last Look' involves an assessment of the price on the trade request against our latest price information. If the latest price has moved more than a defined tolerance, we will reject the trade request. This assessment is made immediately, or after a short time delay and is applied symmetrically. Applying 'Last Look' symmetrically means that if the price has moved in either direction more than the same defined tolerance, the trade request is rejected. The time delay and tolerance controls may vary across platforms, client segments and depending on the client individual trading style.

Should you have any questions about our FX or commodity product offering in general, or e-FX services in particular, please contact your Lloyds Bank Financial Markets representative.

4. Relationship with other documents

This disclosure supplements any other disclosures or agreements regarding such matters as we may provide to you or agree with you including, without limitation, any terms of business, if applicable, any master agreement for financial transactions between a us, our other general disclosures as a swap dealer, our risk disclosures or such other disclosures as may be provided to you by us from time to time. This disclosure is not intended to conflict with or override any relevant law, regulatory rule or other applicable requirement in any jurisdiction in which we deal with you.



LLOYDS BANK

Lloyds Bank plc Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales No. 2065. Telephone: 0207 626 1500. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under Registration Number 119278.

Eligible deposits with us are protected by the Financial Services Compensation Scheme (FSCS). We are covered by the Financial Ombudsman Service (FOS). Please note that due to FSCS and FOS eligibility criteria not all Business customers will be covered.

Information correct as of 21 August 2017.
