

OUR APPROACH TO ORDER HANDLING AND EXECUTION

1. Introduction

The purpose of this disclosure is to detail certain aspects of the trading relationship between you and Lloyds Bank (“us” or “we”) and to disclose our relevant practices when acting as a dealer, on a principal basis, in the Foreign Exchange (FX), rates, commodity and gilt markets. The Lloyds Bank entities covered here include Lloyds Bank plc, Lloyds Bank Corporate Markets plc and Bank of Scotland plc.

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 or riskless 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, rates, commodity and gilt 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, rates, commodity or gilts that you place with us. You should be aware that unless otherwise instructed by you or prohibited by applicable regulation we may also pre-hedge potential client orders. Our intention in pre-hedging is to facilitate order execution and reduce the potential market impact of filling your order, with the goal of achieving a better price outcome for you. However, there is no guarantee that the pre-hedging will have this outcome.

We, and our group of companies, and our 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, 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 and execution

For certain products in the FX, rates, commodity and gilt markets 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 fair and appropriate fee solely determined by LBCM and will cover both a range of factors such as market execution costs depending on size, timing, currency pair and available liquidity and also infrastructure costs relating to assessment of credit, funding and capital impact, execution venue fees, clearing fees and other day to day business costs. Unless otherwise stated, the price indicated by LBCM will be the 'all in price'

Types of orders include but are not limited to: "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 which we require to deal with you.

When your order is accepted, we input it into our order management system and keep a record of order details in accordance with Regulatory requirements.

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 execution. This means 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. In the event of a partial fill we will disclose this to you, and we will ensure price is fair and reasonable based upon prevailing market circumstances.

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.

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

FX benchmarks

FX Benchmark orders are considered a firm commitment to trade; any request to cancel or amend the order will be accepted at Lloyds discretion.

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 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.

TradeWeb FTSE closing gilt prices

We trade or may trade as principal in the securities or related derivatives included in this communication (“Relevant Securities”), and may have proprietary positions in, and/or may make markets in Relevant Securities. We also may make price submissions and price requests that contribute to the official closing price or other price fixing for the Relevant Securities. These trades and positions in the Relevant Securities and our price submissions and price requests may affect the price you obtain on any order for the Relevant Securities that you place with us. We, our group companies, and our directors, officers, employees, associates and agents may have an interest in any securities or financial product mentioned in this communication.

We are committed to adhering to the Standard on Reference Price Transactions published by the Fixed Income Currency and Commodities Markets Standard Board (FMSB). This is available at the FMSB’s website http://fmsb.com/2016-001-fmsb-std_referencepricetransactions_fimarkets_final_updated/. We consider your order a Reference Price Transaction (RPT). Consistent with the FMSB Standards we may, at our discretion, hedge the risk to the bank associated with an RPT, and this hedging activity can take place before during or after any reference time in your order. You should note that any of our hedging transactions executed before the reference time could exert market pressure on the underlying instrument and affect the reference price level you receive.

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, Arena and our bilateral API, both 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 checks. This practise is known by market participants and described in the FX Global Code as 'Last Look'.

Our 'Last Look' check includes a validity check, to confirm the request is valid from an operational, internal risk limit and credit perspective and a price check, to confirm the price at which the trade request is made remains consistent with our latest price information.

We only apply 'Last Look' in order to mitigate any impact of stale pricing due to latency, to protect against technology constraints, and as a risk control. Metrics on fill and reject ratios, along with rejected price and observable market prices are regularly reviewed to ensure outcomes are consistent with strategy.

Lloyds Bank executes FX transactions in a principal or riskless principal capacity.

- Where Lloyds Bank acts as principal, it is not active in the market during the Last Look window in relation to your trade request.

- Where Lloyd Bank acts as riskless principal, it fulfils orders by simultaneously executing an identical transaction (or combination of transactions) with other counterparties. When acting in this capacity Lloyds Bank execution is aligned to the standards set out in the FX Global Codes specifically:

- i. Lloyds Bank will fill the Client's trade request without taking on market risk in connection with the trade request by first entering into offsetting transactions in the market; and
- ii. The volume traded by Lloyds Bank in relation to the Client's trade request in the Last Look window period will be passed on to the Client in its entirety.

'Last Look' Price Check

Our implementation of the 'Last Look' price check 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. If a time delay is applied, in general, the holding time does not exceed 100ms. 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.

We do apply the 'Last Look' price check on multi dealer platforms; however we don't apply the price check to our single dealer platform, Arena. For our bilateral API, the use of the price check is dependent on the client's profile and technology factors. If the price check is to be applied to an API connection, this is disclosed to the Client on an individual case basis. We can share with you the price check tolerance and time delay applied to your trade request and also our trade acceptance ratios. Please contact your Lloyds Bank representative for information on this.

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 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.

If you have any questions about our FX, rates, gilts or commodity product offering in general, or e- FX services in particular, please contact your Commercial Banking Markets representative.

Lloyds Bank is a trading name of Lloyds Bank plc, Bank of Scotland plc and Lloyds Bank Corporate Markets plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Bank of Scotland plc. Registered Office: The Mound, Edinburgh EH1 1YZ. Registered in Scotland no. SC327000. Lloyds Bank Corporate Markets plc. Registered office 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 10399850. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278, 169628 and 763256 respectively. 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.
