



LLOYDS BANK

Systemic Internaliser Policy

1. Overview

What is a Systemic Internaliser?

A Systematic Internaliser (“SI”) is an investment firm that, on an organised, frequent, systematic and substantial basis, deals on its own account when executing client orders outside of a trading venue. SIs facilitate trading by executing orders directly rather than relying on a trading venue such as a UK Regulated Market, a UK Multilateral Trading Facility or a UK organised Trading Facility without operating a multilateral system on a substantial basis (measured by the size of the firm’s trading on its own account relative to the total trading of the firm in that financial instrument).

A Regulated Market (RM) is a market that facilitates buying and selling interests in financial instruments, for example, London Stock Exchange and Intercontinental Exchange (ICE).

A Multilateral Trading Facility (MTF) is a non-discretionary trading platform operated by an investment firm or a market operator for example Sigma X and ICAP Europe.

An organised Trading Facility (OTF) is a trading platform operated by either an investment firm or market operator, but unlike a RM or MTF, the OTF operator may exercise discretion over the execution of transactions.

1.1. Purpose of this Policy

This Systematic Internaliser policy is kept up to date and reviewed on a regular basis. We will inform you of changes to our policy by updating this disclosure.

The purpose of this policy is to set out the basis on which a Lloyds Banking Group entity - Lloyds Bank plc (“Lloyds Bank”) - acting as a Systematic Internaliser, will make firm quotes (“SI Quotes”) to its clients in non-equity instruments where it acts as an SI.

To view our quotes, please visit TRADEcho at <http://quotes.tradecho.com>.

TRADEcho is operated by the London Stock Exchange (LSE) and supports the publications of SI quotes via LSE market data channels and on <http://quotes.tradecho.com>. You can access our SI Quotes on this site after users register on the website.

SI Quotes are firm tradeable prices that are:

- provided by Lloyds Bank acting as an SI,
- outside of a Trading Venue,



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- in respect of instruments for which there is a liquid market,
- in respect of instruments which are Traded on a Trading Venue (“TOTV”),
- at or below the Size Specific to the Instrument (“SSTI”); and
 - not subject to the exemption set out in UK MIFIR Article 1(6) or other temporary suspensions. That is, Quote transparency does not apply to counterparties who are members of the European System of Central Banks, the Treasury or the Bank of England and when entering for the purposes of monetary performance, foreign exchange and financial stability.

1.2. Lloyds Bank as a Systematic Internaliser

Lloyds Bank has opted to be an SI for the following products that are TOTV:

- Bonds
- Structured Finance Products
- Foreign Exchange Derivatives
- Credit Derivatives
 - Total Return Swaps only
- Sterling Rates Derivatives and all Cross Currency Swaps

2. Policy

2.1. Publication of Firm Quotes

Lloyds Bank shall publish SI Quotes via its Approved Publication arrangements, (<http://quotes.tradecho.com>). SI Quotes may be updated by Lloyds Bank at any time but will only be withdrawn in exceptional market conditions.

Exceptional market conditions include where Lloyds Bank’s ability to maintain prudent risk management practices is prevented by;

- (i) technological issues, including problems with a data feed or another system that is essential to carry out its SI activity,
- (ii) risk management issues in relation to regulatory capital, margining and access to clearing, and
- (iii) the inability to hedge a position due to a short selling ban.

2.2. Making SI Quotes available to other clients

Making SI Quotes available to other clients means the SI provides liquidity by offering bid ask prices for financial instruments directly to clients.

Lloyds Bank, subject to the criteria set out in 2.3 and 2.4 below, shall endeavour to provide its clients on request any SI Quotes that have not been withdrawn or updated, and are still valid given



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prevailing market conditions, only where the requesting client has been on boarded and approved for that Financial Instrument (subject to Lloyds Bank's normal procedures, relevant documentation and other applicable requirements).

We would limit or refuse SI quote transactions based on the client criteria set out in 2.3 and market criteria in 2.4 of this policy.

Any request to execute a transaction via a SI Quote should be directed through normal sales channels.

2.3. Client Criteria

The SI Quote is an all-in price provided to the original requesting client.

Where a requesting client does not have the same profile as the original client, Lloyds Bank may not be able to execute a transaction with the requesting client at the SI Quote. Lloyds Bank will consider the following factors objectively and in a non-discriminatory manner when determining whether to execute a transaction at the SI Quote:

- Credit risk characteristics, including client, sector or jurisdiction specific considerations, counterparty risk profile and internal risk limits, and the cost of hedging credit risk exposure,
- Governing documentation (which may include Master Agreements, Collateral Agreements and other Credit Support Documentation),
- Clearing and settlement arrangements,
- Operational preferences and capabilities (including, without limitation, speed of execution, level of straight through processing (STP) with Lloyds Bank, use of 3rd party tools (e.g. Ostra) and/or making quotes available for longer periods to smaller clients which will require more time to request that a transaction is entered into in accordance with an SI Quote).

2.4. Market Criteria

Lloyds Bank will take into account the following market factors when determining whether to execute a transaction at the relevant SI Quote:

- size and direction of the SI Quote and subsequent request,
- Market events, market price changes, market price volatility and time elapsed since the SI Quote,
- Lloyds Bank's inventory or risk position in the relevant instrument or related instruments, and/or
- The number and timing of requests from clients to execute at the SI Quote. Lloyds Bank may impose non-discriminatory and transparent limits on the number of transactions it will undertake to execute at any SI Quote. In the absence of any SI Quote specific limit, the maximum number of transactions Lloyds Bank will undertake to execute at any SI Quote will be one.



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2.5. Automatic Expiry

SI Quotes where applicable will be made available for a limited time dependent on the particular instrument, liquidity and market volatility, but in any event shall not be valid and executable for a period of more than two (2) minutes from the time of the original quote.



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Systematic Internaliser

Frequently asked questions

When Lloyds Bank plc acts as Systematic Internaliser and what this means for you

When acting as a SI, we will make public, firm quotes in bonds, structured finance products, or derivatives traded on a trading venue. In order to provide these quotes, we may limit:

- (i) the number of Transactions we undertake to enter into at the published quote, and
- (ii) the total number of Transactions that we undertake with other clients at the published quote.

What is your Systematic Internaliser market identifier code?

A client will be able to identify a SI Quote, published by Lloyds Bank, through the following identifiers:

- a) Market Identifier Code (MIC) is Lloyds Bank plc, and
- b) Legal Entity Identifier (LEI) for Lloyds Bank is H7FNTJ4851HG0EXQ1Z70.

How does this affect the trade reporting obligation?

Where a trade between us is on a TOTV instrument, Lloyds Bank plc will support you by having the responsibility to post trade report all trades where we are acting in an SI capacity through our approved publication arrangement (APA) TRADEcho.

Will your Systematic Internaliser status change?

Our SI status will be monitored and reviewed regularly or at least on a quarterly basis as required.

Where do I go for further information?

Please contact your Lloyds Bank sales representative for further information.

Please contact us if you'd like this information in an alternative format such as Braille, large print or audio.

This information sheet is intended to provide basic information regarding certain aspects of MiFID II as transposed, implemented, retained, or otherwise given effect in UK domestic law (**UK MiFID II rules**) and does not cover all aspects of UK MiFID II rules nor address specific requirements or obligations of either party in connection with them. No part of this document is intended to be advice (legal or otherwise) by Lloyds Bank plc on UK MiFID II rules, or rules and regulations promulgated as a result thereof. Recipients should conduct their own independent enquiries and obtain their own professional, legal, regulatory, tax or accounting advice as appropriate. Lloyds Bank plc does not accept liability for the content of this document, or for the consequences of any action taken on the basis of the information provided. We recommend clients obtain their own advice to assist them in understanding how UK MiFID II rules will impact their business. Lloyds Bank is a trading name of Lloyds Bank plc. Lloyds Bank 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 763256.