

COMMERCIAL BANKING

SYSTEMATIC INTERNALISER COMMERCIAL POLICY

1. Overview

A Systematic Internaliser is an investment firm which, on an organised, frequent, systematic and substantial basis, deals on its own account when executing client orders outside a regulated market, a multilateral trading facility or an organised trading facility, in accordance with Article 4.1(20) of MIFID II¹.

1.1. Purpose of this Policy

The purpose of this policy is to set out the basis on which a Lloyds Banking Group entity - Lloyds Bank Corporate Markets Plc (“LBCM”) - acting as a Systematic Internaliser (“SI”), will make firm quotes (“SI Quotes”) available to its clients in non-equity instruments for which it is an SI, in accordance with Article 18 of MIFIR².

SI Quotes are firm tradeable prices that are:

- provided by Lloyds Bank Corporate Markets Plc acting as a SI;
- outside of a Trading Venue;
- 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”)³; and
- not subject to the exemption set out in MIFIR Article 1(6) or other temporary suspensions.

1.2. LBCM as Systematic Internaliser

Lloyds Bank Corporate Markets Plc has opted to be a SI for the following non-equity 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

¹ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

² Regulation (EU) No 600/2014 of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012

³ Defined in accordance to article 9(5)(d) of MIFIR



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2. Policy

2.1. Publication of Firm Quotes

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 Any SI Quote may be updated by LBCM at any time but will be withdrawn only in exceptional market conditions.

2.2. Making SI Quotes available to other clients

In this policy “making SI Quotes available to other clients” means providing such clients with the opportunity to request that a transaction is entered into in accordance with a SI Quote. LBCM subject to the criteria in 2.3 and 2.4 below shall endeavour to make available to its other clients on request any SI Quote that has not been withdrawn or updated, and which is still valid given prevailing market conditions provided that the requesting client has been on boarded for the instrument subject to LBCM’ normal procedures, and all relevant documents and other applicable requirements are in place.

Any request for a transaction to be executed at 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 substantially the same profile as the original client, LBCM may be unable to execute a transaction with the requesting client at the relevant SI Quote. LBCM 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.
- Substance or form of 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 LBCM, use of 3rd party tools (e.g. Markitwire) 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).



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2.4. Market Criteria

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

- The 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;
- LBCM' 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. LBCM 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 LBCM will undertake to execute at any SI Quote will be one.

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.

The systematic internaliser commercial policy may be updated from time to time.

SYSTEMATIC INTERNALISER FREQUENTLY ASKED QUESTIONS

Is Lloyds Bank Corporate Markets a Systematic Internaliser, and for what products?

As part of Markets in Financial Instruments Directive II (MiFID II) Lloyds Bank Corporate Markets plc has opted in to be a Systematic Internaliser (SI) for the following products, based on MiFID II classifications, that are Traded on a Trading Venue (TOTV):

- Bonds
- Structured Finance Products
- Foreign Exchange Derivatives
- Credit Derivatives
 - Total Return Swaps only
- Sterling Rates Derivatives and all cross currency swaps.



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What is your Systematic Internaliser market identifier code?

Our SI market identifier code is LBCM and the Legal Entity Identifier for Lloyds Bank Corporate Markets plc is 213800MBWEIJDM5CU638.

How does this affect the trade reporting obligation?

Where a trade between us is on a TOTV instrument, Lloyds Bank Corporate Markets plc will support you by having the responsibility to post trade report all trades where we are acting in a 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 Commercial Banking 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 and does not cover all aspects of MiFID II 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 Corporate Markets plc on MiFID II, 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 Corporate Markets plc does not accept liability for the content of this document, or for the consequences of any actions taken on the basis of the information provided. We recommend clients obtain their own advice to assist them in understanding how MiFID II will impact their business. Lloyds Bank is a trading name of Lloyds Bank Corporate Markets plc. 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 763256.



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