

## **Disclosure on Best Execution and Foreign Exchange Dealing Activities**

Bank of China (Hong Kong) Limited (“We”), (“Our”) or (“Us”) sets out in **Part A** of this document, disclosure on Our best execution arrangements for Our clients, and in **Part B**, certain information on Our Foreign Exchange (“FX”) dealing activities for Our clients and counterparties. Our clients and counterparties are referred to as “You” below.

### **PART A – BEST EXECUTION**

Before We complete any orders for You, it is important that You understand how We will execute such orders. The information contained below is a summary of Our best execution policy and is designed to provide You with a general understanding of how such policy applies to Your orders. Please note that this information should not be seen as a prescriptive statement of how a particular order must be dealt with.

#### **1. Best Execution Obligation**

Best execution obligation requires Us to take sufficient measures to execute Your orders (including where We execute Your orders in an investment management context) on the best available terms. We shall take sufficient steps to achieve best execution of Your orders in accordance with applicable local trading rules and market regulations.

Where We determine that best execution applies, We will take into consideration a variety of factors, which include but are not limited to the following:

- Price
- Cost
- Speed of execution
- Likelihood of execution
- Speed of settlement
- Likelihood of settlement
- Size of the order
- Nature of the order

For different products and order types, the factors considered will be different.

We will determine the relative importance and/or the applicability of the factors based on the characteristics of Your order: the client, transaction, products and, where applicable, the execution venues to which Your order can be directed.

#### **2. Application of Best Execution**

##### **(a) When best execution applies**

With regards to FX Target Forwards<sup>1</sup>, FX Window Knock-Out Ratio Forward, equity linked investments,

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<sup>1</sup> FX Target Value Knock-Out Forward, FX Target Count Knock-Out Forward, FX EKI Target Value Knock-Out Forward, FX

bermuda swaption, and certain structured notes, interest rate cap and floor, interest rate collar, capped/floored interest rate swap/non-deliverable interest rate swap, bonds that are traded on in Our capacity of principal (back-to-back) or agent pattern (the products that are covered in this paragraph may be updated from time-to-time in order to reflect changes in regulatory, industry, business and other developments), best execution will apply unless it is stated otherwise (either in paragraph 2(b) herein or otherwise disclosed to You).

When handling such orders, (unless as otherwise disclosed to You), We will, as far as possible, obtain multiple quotes. In case where multiple quotes are unavailable due to factors such as absence of counterparties or market restrictions, We will make every reasonable effort to validate the quotes provided to You.

Best execution arrangements might still apply where We execute orders through the use of affiliates, connected parties and third parties.

(b) When best execution does not apply

- For all other products that not covered in paragraph 2(a) above, best execution will not apply. This is because We consider that You do not rely on Us to protect Your interests in order execution, after taking into account the following factors in relation to these products:
  - You initiate the transaction. Our practice is that We will only accept orders for these transactions that are initiated by You.
  - It is market convention for You to “shop around” for these products.
  - The market for these products is relatively transparent.
  - Disclosure that no best execution is provided is made to You.
- Where You have given specific instructions covering an entire order or just one part or one particular aspect of an order. We will execute the order in accordance with the specific instruction(s). This means that with regards to the specific instruction(s), best execution obligations are satisfied by executing the order in accordance with the specific instruction(s). Where the specific instruction(s) cover(s) only one part or aspect of an order, and We have discretion over other elements of the order when executing Your order(s), then for the products covered in paragraph 2(a) above, We will continue to be subject to best execution obligations in respect of the elements of the order that are not covered by Your specific instruction(s).

## PART B – FX DEALING ACTIVITIES

We are committed to the industry best practices as outlined in the FX Global Code.

We set out below some aspects of the relationship between Us and You when You deal with Us in FX products where We, as principal, enter into the transactions with You, and the disclosure below is part of Our effort to provide transparency to You on Our business practices. This Part B is intended to supplement other disclosures concerning the terms and conditions of transactions in FX products with Us, and by continuing to deal with Us, You do so on the basis of the information set out below. The disclosure in this Part B does not affect Our legal or regulatory duties to You.

To the extent that You continue to enter into FX transactions with Us, it will be on the basis that You have read and understood the following. This communication is not intended to conflict with or override any relevant law, regulatory rule or other applicable requirement, the terms of which may vary depending on the precise nature of Your relationship with Us.

### 1. Our Role

We act as an arm's length party in FX transactions with You on a principal basis for Our own account. In that capacity, We do not act as agent or fiduciary or in any similar capacity on behalf of You. That said, Our principal trading activity may conflict with Your interests.

### 2. Pricing

Our goal is to offer fair and reasonable prices to You. Any firm or indicative price quoted by Us is referenced against comparable products in the market after taking into account a wide range of factors commonly taken into account by market participants engaging in FX dealing activities similar to Ours.

Even though You or other clients or counterparties may have received or have been quoted a different price for the same or a similar transaction entered into with Us, Our all-in prices and spreads are tailored for individual clients and counterparties (if applicable), with Our mark-ups based on a wide range of commercial factors, including the trading history of clients and counterparties, the size of the trade, prevailing market conditions and Our own costs and transactions. Any firm or indicative price or spread quoted by Us is an "all-in" price inclusive of any sales and trading mark-ups over the price at which We traded or may have been able to trade with other clients or counterparties.

### 3. Handling of Trading Requests or Orders

You can send trading requests or orders to Us using various channels, including voice or electronic means as agreed between You and Us. A trading request or order will only be considered to be received upon our acknowledgement.

We will provide You with a quote upon receipt of Your trading request or order. We will execute Your order if You accept Our quoted price. Your failure to accept a quoted price instantaneously may result in the quoted price being no longer available. In such circumstances, You will be required to obtain a further quote from Us.

Alternatively, You may submit an order requesting Us to use Our discretion to execute an order. You may choose to attach parameters to such orders (for example, "at-best" orders, "limit" orders, "stop loss" orders and "fixing" orders). Unless agreed otherwise, We retain the sole discretion in determining whether to accept that order, to fill the order in whole or in part, and whether and how to enter into transactions in the market to hedge, facilitate or otherwise enable Us to execute or fill the order.

Where We have trading interest from multiple sources (including from within Bank of China (Hong Kong) Limited), We retain discretion on how to satisfy such competing interests, including as to order execution, fill quantity, aggregation, priority, timing and pricing. When exercising discretion to aggregate or prioritise Your order with

orders for other counterparties or orders entered into by Us, We will do so on the basis We consider appropriate to meet the needs of these competing interests. It is possible this may result in a worse outcome than if Your order had been executed sequentially or on an individual basis.

We will time-stamp trading requests and orders We receive from You, orders we place for You and orders We execute for You.

We may stream indicative prices on an electronic platform. You may submit trading request or an order on the platform. Only when We accept Your order will the order be executed at the indicative prices We stream. An order You submit on the electronic platform may be subject to a practice known as “last look” whereby Your order may be subject to a delay before it is considered for acceptance by Us. This practice is undertaken in accordance with Our internal policies and procedures, and is required for the purposes of conducting price check, counterparty credit check, settlement limit check or other information sanity checks. Price check is a control which is used to identify whether Your order is made at a price that, at the moment of the trade acceptance decision, is within Our price tolerance for Your order execution. In each case, We compare the price for the relevant currency pair included in Your order with the price at which We calculate that it is willing to trade with You, based on the then-current market information (the “refreshed price.”). If the price check shows that the refreshed price has moved relative to the price included in Your order by more than the relevant price tolerance for You, We will not execute Your order. Price check and other sanity checks are carried out concurrently and it allows Us the discretion not to execute an order at the price streamed on the platform. Last look practices are not used by Us for the purposes of information gathering in circumstances where there is no intention to accept an order. Additionally, We do not conduct trading activity that utilises information from Your order during the last look window.

When We agree to accept an order from You at a particular price, We will attempt to complete the transaction at the price You requested. In so doing, We accept market risk on the transaction at the point at which it is executed.

#### **4. Client information**

Information provided by You may be shared with relevant businesses for the purposes of hedging and/or risk mitigation. We may also share information about client activities with Our sales and trading personnel on a need-to-know basis. Information with regards to executed transactions may be combined with other market information and shared with third parties or internally on an aggregated, anonymized and non-attributable basis. This is intended solely to provide a generic market outlook or “Market Colour ” for the purposes of Our client-facing business, products or services. We may also share client information with auditors and regulators and in accordance with any applicable law or regulation as necessary to fulfill the responsibilities and respond to general and specific regulatory and other requests with which We are required to comply. We have policies and procedures designed to protect confidential information and ensure it is not used or disclosed improperly. We are committed to protecting client information and are under no obligation to disclose information about trading interests of its counterparties.

#### **5. Conflicts of interests**

Although We take all reasonable steps to avoid conflicts of interest, act in good faith and in a commercially reasonable manner in making determinations and calculations with respect to the FX products, We may encounter conflict of interest arising out of Our activities and/or any of Our affiliates’ activities (collectively, the “**BOC Group Entities**”). The BOC Group Entities may engage in transactions involving or affecting the exchange rate of the currencies involved for its proprietary accounts and/or for the accounts of others, the interest rate, obligations and/or any other elements or factors relating to the FX product, and/or to hedge against the market risks associated with the FX product. These transactions may positively or adversely affect the movements in the exchange rate of the currencies involved and thus the return of the transaction in question. Potential conflicts of interest may arise in relation to these transactions and may be adverse to Your interests.

If You have questions after reading this document or concerning Our dealings with You, We encourage You to contact Your relationship manager.

By continue to transact with Us, You are deemed to have taken notice of and agree to be bound by the arrangements as mentioned above, in particular those relating to best execution.

This document does not constitute legal or any other form of advice and must not be relied on as such. It is Your responsibility to review and conduct Your own due diligence on the relevant rules, legal documentation and any other information provided to You. You may wish to appoint Your own professional advisor(s) to assist You with this.

We will not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and applicable rule/circular on which this document is based.

In case of discrepancies between the English and Chinese versions, the English version shall apply and prevail.

Bank of China (Hong Kong) Limited  
24 November 2025