

# **Standard Chartered Bank Hong Kong– Financial Markets Order Execution Policy**

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## 1. Purpose

**Standard Chartered Bank (Hong Kong)** (“SCB” or “the Bank”) is required to provide clients of financial markets with information on its Order Execution Policy (“the Policy”). This includes information on how Best Execution obligations apply to clients. For the avoidance of doubt clients will be considered to have consented to this Policy on trading with SCB.

This Policy also sets out SCB’s obligations in respect of handling orders in a prompt, fair, and timely manner taking into consideration the relative priority of Orders, including SCB’s approach to aggregation and allocation of orders. This Policy is presented addressing the key themes as outlined by the Hong Kong Securities and Futures Commission (“the SFC”) in the Report on the Thematic Review of Best Execution.

### **A. Applicability of Best Execution**

## 2. Best Execution Obligation

In executing orders for clients where SCB owes clients Best Execution, the Bank is required to take all sufficient steps to obtain the best possible result taking into account the appropriate Execution Factors.

While Regulatory Best Execution obligations will not apply in all cases, SCB’s is committed to operate to the best global standards and put appropriate execution arrangements in place. These arrangements may use SCB internal methodologies and will not necessarily consider the same elements required where Regulatory Best Execution obligations apply.

## 3. Geographical and Client Scope

This Policy applies to clients for the provision of services in relation to financial instruments by Standard Chartered Bank (Hong Kong). Those services include sales and trading coverage, and investment and ancillary services, without making a distinction on whether the client is resident in Hong Kong.

This policy does not apply to transactions executed with other subsidiaries or branches of Standard Chartered Bank. Clients of a European Economic Area (EEA) entity of Standard Chartered and their branches should refer to the applicable Order Execution Policy, this can be found on the SCB Website via the [Financial market regulatory compliance disclosures page](#).

## 4. Transactional Scope

In order to provide Best Execution when Executing an Order on Behalf of a Client, SCB will assess whether the client is placing legitimate reliance on the Bank to protect their interests in relation to pricing and other key elements of the transaction. Where a client is assessed to be placing legitimate reliance on the Bank, this policy will apply.

SCB will be in receipt of an Order where an execution instruction is given that affects a contractual obligation either executable immediately, or where there is discretion available to SCB in the manner of execution and the exact terms of the transaction. For example, there is an increased likelihood of reliance where discretion is applied, as is the case where SCB executes a limit, stop loss, or at best Order or in a situation where SCB works a client Order over a period of time.

For Markets in which SCB operates on an RFQ basis with professional clients there is a requirement for SCB to assess whether the client is placing legitimate reliance on the Bank. The application of Best Execution will require SCB to consider the nature of request and the starting point in these markets is that the client does not place legitimate reliance on SCB. SCB will, as required, undertake a test of reliance in these situations as outlined by the the SFC in the Report on the Thematic Review of Best Execution and where it is determined legitimate reliance this Policy will be applicable.

## 5. Product Scope

The Policy applies to transactions executed in “Financial Instruments” as listed in appendix 1.

SCB is committed to providing its clients with the highest quality service and operating to the best global standards for our clients. As such we aim to apply this Policy to Spot FX transactions which are not formally subject to Regulatory Best Execution requirements.

## 6. Assessing Reliance

As referred to in Section 4 to determine legitimate reliance SCB will apply a systematic cumulative test the SFC has suggested may help determine legitimate reliance. The four factors to consider are:

- (1) whether the firm or client instigates the transaction(s),
- (2) market practice – specifically market convention for clients to shop around,
- (3) the relative levels of transparency within a market, and
- (4) information provided to clients by the Bank and the terms of our agreement with the client.

## **B. Best Execution Factors**

### **7. Execution Factors**

SCB will determine the relative importance of relevant execution factors, not all execution factors will be applicable to all products, the factors are set out below:

**Price** - Ordinarily, the Bank will consider price to be the most significant factor in the execution of a transaction, however there may be circumstances where other Execution Factors should be prioritised over price. In taking all sufficient steps, our front office staff will use their commercial judgement to achieve the best possible outcome for the transaction, taking into account the following factors, in addition to price, to determine the manner in which your Order will be executed:

**Costs** - The best price may not always offer the best result for a Client if it comes with a high cost, either explicit or implicit. Explicit costs include transaction costs (e.g. settlement costs) and implicit costs result from how a trade is executed (e.g. as an immediate or standing order or in a block).

**Speed** - Volatility and liquidity may mean that for certain orders timeliness of execution becomes more dominant, for example in a situation with low liquidity the time horizon for achieving best execution may be extended. Where the Bank considers the cost of an adverse market movement is likely to be great, speed of execution may be very important.

**Likelihood of execution or settlement** - The likelihood that the Bank can source adequate liquidity with sufficient depth of market, having necessary credit facilities and clearing services in place to guarantee settlement.

**Size of the Order** - Ensuring that Orders are executed in a manner which is suitable to the size requested and does not place an inappropriate impact on the market

**Nature of the Order** - The particular characteristics of an Order, such as whether it is a quote or limit order are always relevant to how it is executed.

**Any other consideration relevant to the efficient execution of the Order** - Includes, but are not limited to, counterparty, liquidity and market risks in addition to factors relating to the management of our bank / client relationships.

Once we have accepted your Order, we will consider the different Execution Factors in the context of the instructions that you have provided per section 9 of the Policy. The Bank will determine the relative importance of each factor based on the Execution Criteria below.

### **8. Execution Criteria**

The Execution Criteria that will be taken into account when weighing the relative importance of the Execution Factors are the characteristics of: the client, transaction, Financial Instruments and, where applicable, the Execution Venues to which that Order can be directed.

### **9. Specific Instructions**

Where the Bank accepts an Order with reasonable specific instructions in relation to some or all aspects of handling your Order (including executing at a particular price or time or through the use of a particular strategy), in following your instructions, the Bank will be deemed to have satisfied its Best Execution obligation in respect of that Order.

A specific instruction could include a direction to execute at a particular time, or to break an order into defined sizes for execution.

Where your specific instructions only cover a portion of an Order, and we have discretion over the execution of other aspects of the Order, then we will continue to owe you Best Execution on the aspects not covered by your instructions.

When executing your Order in line with your specific instructions, it should be recognised that the outcome may differ from an Order in which the Bank has discretion and owes Best Execution, and there is no obligation for you to provide specific instructions to SCB when submitting an Order.

## **C. Responsibilities of execution staff**

### **10. Execution Venues**

SCB will act in a principal capacity when Executing a Client Order and generally seeks to internalise Orders, whereby you trade with the Bank as Principal, on the basis that we can meet our Best Execution obligation on a consistent basis by doing so.

Where the Bank trades as principal it will use a number of execution venues. The selection will be made at SCB's discretion.

The Bank uses appropriate internally and externally available information on execution venue metrics to conduct ongoing assessments of the quality of the execution provided to clients through internalisation. SCB will continually monitor the available information and as additional information and external data becomes available this will be incorporated into the Banks pricing controls and reviews. This also includes the assessment of the ongoing efficacy of the service and execution provided to SCB when conducting market making activity or managing its own risk through available liquidity providers.

Based on the above considerations for OTC derivative transactions SCB will check the fairness of a price when proposing it to clients.

### **11. Execution Cost / Sales Margin**

Clients may be charged an additional spread, mark-up, fee or commission for providing the execution. Where applied to a Client's Order, the margin charged by the Bank is determined taking into consideration a variety of factors, including complexity of trading strategies, service levels and cost of funding the transaction and a reasonable return on equity.

The all-in client price (the combination of price and margin) may differ from the trigger level. For limit orders, including stop loss and take profit orders, the trigger level will be based on the Trigger Price as defined below.

Transaction costs are calculated as the difference between the "all in client price" and the SCB Price. Costs will vary depending on, amongst other things, the nature of the transaction, market, and counterparty. The costs associated with a transaction include: client coverage, operational factors, balance sheet and regulatory capital usage, hedging and liquidity access, and valuation adjustments for derivative transactions.

For certain Order types, the addition of sales margin could result in your all-in price being at a price which is outside of the day's range for that product.

Where SCB is working an Order for a client the trigger price is defined as the price at which the market needs to trade at in order for execution of the order to be effected / become active. In order to apply margin pre trade to the client order, the order will be worked at a price which is different to the order level provided by the client. For all resting orders the market will need to trade at a price which is equal to the client order level plus / minus any margin (The All-In Price) before execution can be effected. Any deviation from this default approach will be explicitly (in writing) agreed with you when receiving your order.

Upon consideration of the factors above and any other applicable information relating to Clients or the trade request, Standard Chartered Bank holds the discretion to offer different prices or services to different counterparties for the same or materially similar transactions.

For certain products or types of business activity, fees may be charged in the form of commissions which are separate from and in addition to the traded price for a particular transaction. SCB does not structure or charge commissions in such a way as to discriminate unfairly between Execution Venues.

### **12. Order / Quote Handling<sup>1</sup>**

When handling Orders (e.g. executing, recording and allocating), our objective is to carry out otherwise comparable Orders sequentially and promptly unless the characteristics of the Order or prevailing market conditions make this impracticable, or the best interest of the Client require otherwise. Orders will not be treated as comparable if they are received by different channels and it not practicable for them to be treated sequentially. Any information in respect of Orders (pending or executed) is treated as confidential and the Bank's policies prohibit the misuse of this information.

In the scenario that a client updates an Order with a change to price or an increase in volume it may impact the relative position in the order queue and as such impact the outcome of the execution.

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<sup>1</sup> Please see [additional disclosures](#) relevant to the execution of orders by SCB

Transactions submitted for execution electronically, for example via an external venue or API, or SCB User Interface, will be considered live when electronically accepted. This should generally be equivalent to the time of submission.

Voice Orders, placed by contacting a relevant SCB sales person, are defined as orders placed via a call to an SCB salesperson or sent manually via email or chat platform. will only be considered live when acknowledged by SCB.

The Bank offers, amongst others, the following resting Order types on a principal basis; stop loss, take profit, limit, and deal at best Orders. With reference to the trigger point for resting Orders it will be made transparent to Clients whether a market will be required to trade at a level that incorporates certain costs and charges (for example: mark-up) or whether the execution will take place at a “clean price” and those costs and charges will be applied after execution.

Certain Orders that you have instructed us may have non-standard characteristics, such as the size of the Order being larger than the standard market size and/or the liquidity available at best price in the market at the time of order receipt. The Bank may use its discretion for such Orders, unless specified otherwise by you, to split them into child Orders which may then be dealt according to a trading schedule which reduces the overall market price impact of your Order. The Bank’s discretion shall apply to the timing of the release of the child orders, the size of the child orders and the target price of the child orders whilst always respecting any limit price instructed on your Order.

SCB will endeavour to promptly inform clients subject to this policy should there be material difficulties impacting the Banks ability to execute an Order.

The Bank will not aggregate client Orders or the Bank’s own transactions, unless it is unlikely the aggregation will work to the disadvantage of any Client who’s Order has been aggregated. In some cases, liquidity conditions may restrict our ability to fill the full amount of outstanding Orders, resulting in partial fills. In such circumstances, the resulting partial fills will be allocated on a volume-weighted average basis.

All At Best Orders will generally be worked on a first in first out (“FIFO”) basis where they are in the same currency pair (or directly correlated currency pair e.g. EURUSD and EURGBP); however, in the event that the working of an At Best Order triggers an existing Stop Loss Order, the remaining fill requirement of the deal At Best Order will be aggregated with that Stop Loss Order and allocated on a volume weighted average basis. Every effort will be made to work orders at the same price for different clients on a FIFO basis, however during busy market conditions it may be necessary to aggregate orders and fill them on a blended average rate to all clients.

In all circumstances where there is discretion, SCB will use its professional judgment to give due consideration to relevant execution factors.

Further information can be found in the additional disclosures relevant to the execution of orders by SCB this can be found on the SCB Website via the Financial market regulatory compliance disclosures page.

## **D. Governance and Management Supervision & Controls and Monitoring**

### **13. Conflicts of Interest**

SCB has policies and procedures in place designed to identify, monitor, and mitigate Conflicts of Interest. For the avoidance of doubt SCB does not participate in any payment for order flow arrangements.

For further information on conflicts of interest please see the [SCB website](#):

### **14. Client Requests**

Where this Policy applies SCB can provide clients, on request, evidence that Best Execution was provided on the transaction. SCB will endeavour to respond to all requests in a reasonable time period.

### **15. Monitoring & Review**

The Bank monitors the effectiveness of its Order execution arrangements on an on-going basis in order to identify and implement any appropriate improvements. We will be able to demonstrate to clients, at their request, that we have executed their Orders in accordance with this Policy.

The Bank reviews this Policy on an annual basis at a minimum or when there is a material change (a material change shall be a significant event that could impact the parameters of Best Execution such as the Execution Factors which affects our Order execution arrangements). We will notify you of any material changes to our Order Execution Policy, including any associated supplements or updates to our list of Execution Venues by posting an update on our website at:

<https://www.sc.com/en/banking-services/business-banking/financial-markets/Governance>

SCB has put in place appropriate governance processes to, on an ongoing basis, assess and monitor its Best Execution arrangements. This includes the obligations around Order handling, monitoring, and reporting. The Best Execution Governance Committee ("the Committee") meets on a regular basis to review the relevant arrangements and management information pertaining to Best Execution. The committee is required to consider and implement any updates or enhancements required to meet the obligations to provide clients with the best possible result. As part of the Committee's responsibilities it will also oversee the annual review of the Policy and any material changes identified through the review process.

## **16. Consents and Instructions<sup>2</sup>**

As outlined in Section 1 in respect of Best Execution and Order handling if you place an Order with SCB you will have been deemed to have provided consent to this Order Execution Policy and the relevant additional disclosures.

### **Appendix 1**

1. Transferable securities;
2. Money market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, emission allowances, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, a MTF, or an OTF.

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<sup>2</sup> Should you require further information on the above please contact your usual Sales contact or Relationship Manager.