HSBC Private Bank

HSBC Private Bank (Suisse) SA

Best Execution Policy

Best execution

HSBC Private Bank (Suisse) SA (the "Bank") seeks to achieve the best possible result in terms of cost, timing and quality; when we receive, transmit or execute Client orders in financial instruments.

This is a summary of the Bank's Best Execution and Order Handling Policy (the "Best Execution Policy"). It outlines, at a high level, the approaches, procedures and execution principles that the Bank has put in place to support the pursuit of the best possible result when receiving and/or transmitting and/or executing orders in financial instruments on a Client's behalf. The objective of the Best Execution Policy is to aim to obtain, on an ongoing basis, the best possible outcomes for Client orders and to help prevent conflicts of interest.

Scope

The Best Execution Policy applies primarily to private and professional clients, as defined under the Swiss Financial Services Act (FinSA). Dealings with, or between, institutional clients may be subject to different rules.

"Execution", as used herein, means that the Bank acts on the basis of a Client order as an agent or intermediary (order handling), and executes a transaction with a third party, on or outside a Regulated Market, on behalf of the Client (commission trade), or enters into a purchase agreement for financial instruments with the Client (fixed price transaction).

Financial instruments covered

The policy applies to:

- Equities and other exchange-traded instruments (e.g. ETFs and listed derivatives)
- Fixed income instruments
- Foreign exchange and precious metals (excluding FX spot)
- Structured products including OTC derivatives
- Units/shares in collective investment schemes (funds)

How we determine the "best possible result"

In seeking to take appropriate steps to obtain the best possible result for the Client, the Bank may consider various factors depending on the relevant class of financial instrument, including:

- Price
- Costs (including implicit costs such as spread/market impact; explicit external costs such as exchange/clearing fees; and explicit internal costs representing the Bank's remuneration via commission or spread)
- Speed
- Likelihood of execution and settlement
- Size and nature of the order
- Any other relevant circumstances

As a general approach, total consideration (price plus all costs directly related to execution) is an important factor, although other factors may be given greater weight depending on the instrument, market and order characteristics.

Where Client orders may be executed (execution venues)

Orders may be executed on, or transmitted to, one or more of the following:

- Regulated Markets, MTFs[1] or OTFs[2]
- Systematic Internalisers, Market Makers or other liquidity providers
- Third-party brokers, including HSBC Group entities
- The Bank itself

The Bank may execute all or part of an order outside a Regulated Market/MTF/OTF where it considers this to be in the Client's best interests. This may involve risks such as reduced venue protection, reduced transparency and counterparty risk during settlement.

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Use of brokers and HSBC Group entities

The Bank typically routes orders through approved brokers, including within the HSBC Group, such as HSBC Corporate & Investment Bank (HSBC CIB). Brokers are selected and reviewed through due diligence, taking into account factors such as pricing (commissions/spreads), speed, market access, clearing/settlement capability, service quality, execution track record, reputation and financial stability.

The Bank does not generally receive any remuneration, discount or non-monetary inducement for routing orders to a particular trading or execution venue.

Open and closed architecture

The Bank uses both models:

- Open architecture: the Bank typically requests several quotes. However, a single quote may be used in specific circumstances (e.g. product uniqueness or liquidity available only from one venue). The Bank operates under open architecture for Equities, Fixed Income, Foreign Exchange, Structured Products and some OTC Derivatives.
- Closed architecture: the Bank typically relies on a single quote, usually provided by an HSBC Group affiliate/connected party. The Bank operates under closed architecture for ETFs and some OTC derivatives.

Execution of Client orders

With regard to the instructed transactions, the Client is responsible for taking the necessary steps to comply with applicable Swiss and foreign legal and regulatory obligations. To the extent permitted by applicable law, the Bank should not accept liability in this respect. Where applicable, the Client should undertake to release the Bank from, and indemnify it against, any damage that may arise for the Bank as a result of any infringement of the Client's Swiss or foreign legal or regulatory obligations. This responsibility applies whether the instruction is received from the Client directly or from an authorised person acting on the Client's behalf.

Specific client instructions

If Clients give specific instructions (for example, specifying an exchange), the Bank will seek to follow them where possible. Specific Client instructions may limit the Bank's ability to apply the Best Execution Policy and are therefore given at the Client's initiative and risk.

Orders provided by email

Clients should be encouraged to use the telephone to send instructions to the Bank if immediate execution is required. The Bank executes instructions only during its opening hours (currently 9 am–6 pm) from Monday to Friday, excluding official Bank holidays.

Confirmation

Clients should receive written confirmation of each transaction (Client Advice or Term Sheet).

[1] MTF: Multilateral Trading Facility means a multilateral system operated by an investment firm or market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with Title II of Directive 2014/65/EU. "Non-discretionary rules" means that the investment firm operating an MTF has no discretion as to how interests may interact.

[2] OTF: Organised Trading Facility means a multilateral system which is not a Regulated Market or a MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of Directive 2014/65/EU.

Conflicts of interest

Irrespective of how orders are handled, the Bank aims to treat Clients fairly and consistently and seeks to avoid conflicts of interest between Clients, the Bank and/or its employees.

Orders received from a Client are generally executed promptly, correctly recorded and accurately allocated. Similarly, where comparable orders are received from two or more Clients, the orders are generally executed sequentially, unless the characteristics of the order or prevailing market conditions make this impracticable.

Upon settlement of an executed order, the Bank will take reasonable steps to ensure that any cash or securities transfer received in connection with the settlement of such an order is credited to the Client's account in a timely and appropriate manner.

Whilst uncommon, the Bank may aggregate a Client's orders with those of other clients. While aggregation is not expected to disadvantage clients overall, it may disadvantage a particular order. Where aggregated orders are only partially executed, allocation is typically proportional (pro rata).

Subscriptions to new issues are recorded in chronological order, aggregated and sent to the issue manager by the relevant deadlines. Allocation is not guaranteed and remains subject to the issue manager's discretion. Partial allocations are pro rata within subscription groups (subject to minimum denomination constraints).

In the event of a conflict, the Bank generally seeks to ensure that the Client's interests take precedence over those of the Bank and/or its employees. In exceptional cases where the Client's interest cannot be safeguarded, the Bank seeks to inform the Client as soon as reasonably practicable.

Monitoring

The Bank evaluates transactions and orders to which the best execution requirement applies, as well as compliance with its Best Execution Policy, through risk-based benchmarking and post-execution analysis. Brokers and execution venues are reviewed periodically, typically at least annually, and may be updated over time as appropriate.

Further information

Clients may make reasonable and proportionate requests for information about the Bank's execution arrangements and how they are reviewed. The Bank will endeavour to respond to such requests in a timely manner.