Order Policy for foreign exchange trading

BayernLB Financial Markets acts according to the regulations of the FX Global Code

Munich, 1 August 2018

Binding declaration to comply with the FX Global Code

BayernLB has signed the FX Global Code.

We confirm that we act as a market participant pursuant to the definition in the FX Global Code and that our currency market activities are performed in compliance with the Code. BayernLB has taken suitable measures in accordance with the size and complexity of its activities and the type of its exposure to the currency market to ensure they comply with the principles of the Code.

Munich, 1 August 2018
BayernLB

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We apply the following principles when accepting and executing orders:

› BayernLB makes transparent and comprehensible arrangements with the customer regarding the Bank's discretion when placing the customer order.

› The two parties must agree on the terms and conditions and the impacts of the orders (e.g. validity period, order amount, exchange reference rate, triggering factors).

› BayernLB monitors customer orders during its operating hours (8:00 a.m. - 5:30 p.m. CET). Outside of these operating hours, the orders are monitored by a strategic partner.

› Rates that are communicated through public media are not considered tradable rates and are not a guarantee that an order will be executed.

› BayernLB accepts spot orders only (no forward orders).

› The terms bid and offer rate are always used from the Bank's viewpoint.

› Purchases and sales always refer to the base currencies of a currency pair.

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Stop loss orders

› BayernLB purchases or sells as soon as the requested stop loss level is reached on the offer rate side or the bid rate side, respectively, at the nearest tradable rate.

› If the customer places an "at the price" stop loss order, BayernLB purchases the respective amount as soon as the stop loss level is reached on the offer rate side or sells the respective amount as soon as the bid rate side has reached the stop loss level. The corresponding spreads are taken into account during this process. Spreads can be influenced, for example, by volumes, the specific liquidity and by BayernLB's rating.

› This can result in transactions being executed at levels that are not visible on the chart (particularly in the case of high volumes or illiquid currency pairs).

› In the case of an "at the price" stop loss order, if the attempt is made to execute the customer order at the agreed rate, it may actually be executed at a (much) worse rate than that stated depending on liquidity and the volatility of the market.

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Limit orders (take profit)

› Limit orders are executed as soon as the take profit level is reached on the offer rate side for purchasing orders and the bid rate side for selling orders after taking account of the applicable spreads.

› The rates on which the orders are based are the agreed customer rates.

› If BayernLB places orders on the market to execute limit orders, it generally passes on the entire transaction amount to the customer.

› Depending on the market liquidity situation, limit orders may be executed only in part or not at all.

› Orders that are only partially filled must always be individually communicated and documented by the respective sales advisor.

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Fixing orders

› The course of action recommended by the FX Global Code is applicable to fixing orders.

› Fixing orders are orders that BayernLB executes on behalf of the customer at a specified fixing rate.

› The transaction charges are shown on a separate notice to the customer.

› Fixing orders are handled by BayernLB with particular care as they can exert significant influence on the market.

› The fixing source (WMR, BFIX) and the fixing time (CET, GMT) must be agreed and documented in advance between Sales and the customer.

› The sources used for determining and calculating any fixing rates are Bloomberg (BFIX and WMR) and Reuters (WMR).

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Last look function

› Upon request (RFQ/RFS), BayernLB's customers are offered constantly updated prices for FX products via electronic multi-dealer platforms.

› These platforms enable the liquidity providers to check the validity of the most recently streamed price before acceptance/conclusion of a transaction (last look).

› If the customer accepts that last price, a system used at BayernLB checks the information as soon as it is received to establish whether the current price has since changed in relation to the accepted price.

› If the last look reveals that the tolerance limits predefined in our system are exceeded, the transaction is rejected. Inputs for the last look function are the most recently quoted price for the individual request, the current price and the tolerance limits entered.

› The last look check is only performed against the most up-to-date price that is stored in the pricing system at the time the customer request is received.

› BayernLB does not conduct pre-hedging activities during last look windows.

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Agency/Principal

› If a foreign currency request meets certain parameters, BayernLB acts as the riskless principal." BayernLB obtains quotations from its strategic partners on the market and passes them on to its customers.

› If a customer accepts the price upon request, BayernLB checks whether the strategic partner's price is still applicable.

› If the check renders a positive result, the transaction is concluded with the customer and the strategic partner. Both the volume traded and the term are identical ("cover and deal" trading arrangement).

› If the strategic partner's price is no longer valid, both the customer and the hedging transaction are rejected.

› BayernLB provides the parameters to its customers upon request.

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Markup/charges

› FX Trading quotes an all-in price and/or a spread for all customer requests.

› This price/spread includes all charges or fees attached to the requested transaction.

› Cost components affecting the margin and/or the markup are current expenses (platforms), resources, the transaction volume and type.

› Exceptions are agreed in writing with our customers.

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Algorithmic trading

› BayernLB offers its customers algo order execution, in which it, as the riskless principal, uses algo systems provided by strategic partners or system manufacturers.

› Depending on the algo, order execution may incur costs.

› A fee agreed when the order is placed is calculated into the final customer price. If the customer requests it, this fee can be designated accordingly.

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Pre-hedging
Risk mitigation

› Pre-hedging refers to managing the risk attached to one or more expected customer requests in order to be able to assist customers with their requests and the resulting transactions and to reduce anticipated risks from these customer transactions for the Bank.

› Customers will not be informed about the dealers' pre-hedging activities.

› If the customer does not wish any pre-hedging by BayernLB, the responsible Sales contact person must be informed in writing.

› BayernLB conducts pre-hedging activities exclusively as trader on its own behalf (proprietary trading) and not as an agent.

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