INFORMATION NOTICE

DEALING METHODS OF FOREX ORDERS

SUMMARY

1. INTRODUCTION

This Information Notice has been defined by the IMI & Corporate Investment Banking Division and Group Treasury and Finance Head Office Department of Intesa Sanpaolo S.p.A. (hereinafter the "Bank"), according to the principles established by the Foreign Exchange Global Code (FX Global Code[1]).

This is not a legal document, its purpose is to give a general, non-exhaustive and complementary guideline to the current practices and regulations to which the Bank is subject with regard to transactions in the foreign exchange market (spot and forward).

2. MARKET MAKING

The Bank operates as a market maker and/or liquidity provider for a wide range of currencies. Unless otherwise agreed with the customer, when dealing with FX orders the Bank shall always operate on its own account (as a "Principal"), i.e., taking one or more risks related to the order, including credit risk and different types of market risk.

These activities could affect the prices offered by the Bank and the levels of liquidity required to execute our customers' orders.

In the case of stop loss/take profit orders or orders including knock-out, knock-in barriers and similar conditions, these can be activated ("triggered") by the Bank's trading acting in the capacity as market maker and/or liquidity provider. In any case, while conducting its business activities, the Bank undertakes to execute each transaction in a reasonable manner, so as to minimize the impact on the market deriving from the execution of its orders.

3. ORDER EXECUTION

According to predetermined agreements, customers can submit orders to the Bank using different channels, including voice or electronic means.

In the absence of specific agreements with the customer (written or traced on recorded support), the Bank reserves the right to decide whether and how to execute an order, including the possibility of partial execution. This decision is affected by the possibility to execute the order at the conditions specified by the counterpart, the prevailing market conditions, the order book, as well as by Bank's requirements to manage its overall risks and any other relevant factors.

[1] "The Global Code and Applicable Law", page 4 of the "FX GLOBAL CODE" –August 2018 edition - translated by the Bank of Italy

Furthermore, the order execution strategy may be affected by factors such as the credit line capacity, that may affect the full execution of orders. In any case, the outcome of the execution will be notified to the customer as soon as possible.
While conducting these activities, the Bank undertakes to execute transactions in a reasonable and fair manner so that those are not designed or intended to the detriment of the customer and the impact on the market is minimized.
When executing a trade request, the Bank reserves the right to draw on internal or external sources of liquidity at its own discretion.
The Bank does not use order aggregation logic, executing customer's orders individually.
The main types of FX orders executed by the Bank are described in the following paragraphs.

3.1. Market Orders

A market order will be executed at the first available price. Market orders will be executed as quickly as possible with timeliness being the guiding driver.

3.2. Resting Orders ("Take Profit" & "Stop Loss")

When dealing with "take profit" and "stop loss" orders, the execution at the predetermined reference price or trigger price is not guaranteed. However, the Bank will endeavour to execute transactions at the level as close as possible to the customer's request, given the prevailing market conditions. The Bank acting as "Principal" can undertake transactional risk management activities that can be executed in the proximity of a trigger level and that can influence the reference price and determine the activation of a take profit / stop loss order.

3.3. Fixing Orders

If deemed necessary, the Bank may arrange to enter pre-hedging or hedging transactions to hedge the risk associated to the exposure to which the Bank is subject until the closing of the 'fixing window'. Such actions will only be taken to manage the risk and facilitate the transaction in question and can be performed before, during or after said "fixing window".
Given that other market participants may adopt similar risk management practices, the volume of transactions prior to or during the fixing window may increase and such transactions may affect the final fixing (and may also affect the pricing and volatility of the related markets).
The Bank may conduct other commercial activities that may have an impact on a reference rate, including the sourcing of liquidity for other customers' orders. These activities may lead the Bank to execute transactions, prior to or during a fixing window or at other times, which may affect the transactions relating to a benchmark fixing.

3.4. Order time stamping

The Bank undertakes to ensure that the execution of customers' orders and Requests For Quote (hereinafter "RFQs") and the recording thereof are accurate and timely. To allow for subsequent checks, the Bank keeps a record of transactions, the contents of which are summarised below (with emphasis on timing information):

- with regard to trading requests and orders sent by customers electronically, the following is promptly and accurately recorded within the relevant systems:
  - the time of receipt of the trade request
  - the time of publication of the respective quote by the Bank's desk;
  - the time of receipt of the order entered by the customer;
  - the time of execution of the order;
- as regards the quotas published by the Bank as Market Maker, the following is promptly and accurately recorded within the relevant systems:
  - the time of publication of the respective quote by the Bank's desk;
  - the time of receipt of the order entered by the customer;
  - the time of execution of the order;
- With regard to orders placed by customers via the Sales structure, orders and their execution are recorded manually so that there is a slight time lag between the time the order is actually accepted and the time it is recorded in the Bank's systems.

3.5. Management of rejected orders

In dealing with customers' orders in the foreign exchange market, in accordance with its role as "Principal", the Bank may reject customers' RFQs and orders.

The reasons for rejecting a given RFQ/order can be categorised into two macro-cases:

- pre-deal checks, such as:
  - exceeding the credit limits set by the Bank;
  - counterparty profile inconsistent with the transactions carried out;
- technical aspects, such as:
  - order rejected as the cut-off time limit to carry out the transaction has been exceeded.

A record of the reasons is kept in the relevant applications.

4. PRICING

The final prices (the "all-in" price) provided by the Bank to the customer (in relation to any type of trade request made by the customer, including take profit or stop loss orders) are determined by taking into consideration multiple factors relating both to the type of service offered and the characteristics of the customer to whom the services are offered. As a result, they may include some cost component assessed for each product in relation to the complexity of the risk management assumed by the Bank, its commercial appealness and general market conditions such as liquidity, size and / or complexity of the transaction and any other relevant considerations, in compliance with the criteria defined in the "Order transmission and execution strategy of the Intesa Sanpaolo Group": a bid-ask spread; a mark-up; other administrative / operational costs (eg: coverage costs); fees. Taking this into account and on the occurrence of market circumstances connected to the type of transaction requested, different prices could be proposed to similar counterparties and / or different prices for equal or substantially similar transactions. The Bank determines the mark-up in relation to the relationship with the customer, the nature of the transaction, the size of the specific transaction and the trading frequency of the individual customer. The mark-up can also be affected by variables related to the technology of execution and transmission of orders. The application of the mark-up can affect the price and the execution of orders related to a specific level such as fixing orders. In any case, the final mark-up applied may not exceed the maximum limits indicated in the appropriate contractual documentation of reference.

5. PRE – HEDGING

Acting as Principal, the Bank undertakes to manage the risk arising from the execution of customer's orders. These risk mitigation activities are taken coherently with the overall exposure of the Bank, the prevailing market conditions - such as liquidity - as well as the size and nature of the specific transaction.

Although this activity may negatively affect the offered price or the achievement of a specified barrier or fixing, the Bank undertakes to use pre-hedging activities for the purpose of managing the risk associated with one or more customer's orders, to the benefit of the customer.

A process is defined that governs pre-hedging activities in accordance with the guidelines set out in the FX Global Code.

6. LAST LOOK

The "last look" is a practice used in electronic trading activities whereby a market participant receiving a trade request has a final opportunity to accept or reject the request at the price it has quoted.

With regard to FX market activities, it should be noted that the Bank does not use the Last Look practice.

7. FX ALGORITHMIC EXECUTION AND AGGREGATION SERVICES

Offering algorithmic trading services to customers consists in using computer programmes that apply algorithms to determine certain parameters of interest, including the price and quantity of orders. Aggregation services refer to the ability to provide customers with unique access to various liquidity sources or execution venues and may include the transmission of orders to such liquidity sources or venues.

It should be noted that the Bank does not offer such services to its customers.

8. INFORMATION HANDLING

The Bank, acting as Principal, may use the information on orders received from the customers to execute and manage risk hedging transactions. This information is in any case exclusively shared internally and solely with the purpose of carrying out the order received.

Without prejudice to legal obligations, information relating to transactions can be disseminated internally and to third parties, exclusively on an aggregated basis, in order to provide general information on market conditions, forward-looking views and information flows regarding the service or product provided to customers.

9. CONFLICT OF INTERESTS

Acting as principal and market maker, traders and sales of the Bank deal with different counterparties giving rise to potential conflicts of interests with customers. In this context traders and sales can try to anticipate requests expected from the customers in the short period, by taking positions on the market that are correlated with these, in order to manage the risk that would arise to the Bank, and/or they may take positions or carry out trading activities that may potentially be considered not in line with the goals of a single customer. In particular the Bank, during its trading activities, can inter alia:

- affect the execution or pricing of certain transactions, such as barrier orders, stop loss orders or other orders with limit price;
- affect the fixing level for benchmarks or other reference prices through transactions executed prior to, during or after the “fixing window”;
- insert transactions according to the characteristics of its order book, expected or actual, considering the size of the orders and the applicable market conditions, in order to satisfy the customer's proposed or actual requests.

In all cases the Bank performs its business according to the adopted procedures, also aimed at minimizing the impact on the market and operating in a reasonable and fair manner, preserving the customers' interests.

The Bank has adopted a specific policy aimed at managing conflicts of interests that may arise during the provision of investment and ancillary services, to which reference is made for more details (see Information Note to Directive 2014/65/EU (Mifid II), including the disclosure on Conflict of Interests).