Natixis Standard Foreign Exchange

Terms of Dealing

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Introduction

The purpose of this disclosure is to provide transparency on how Natixis' foreign exchange business prices, handles and executes foreign exchange ("FX") transactions. However, it is not intended to be an exhaustive statement of Natixis' pricing or order management practices or policies.

This document sets forth our standard terms of FX dealing generally with our clients in principal-to-principal transactions on the FX markets. It sets how we will communicate and transact in relation to requests for quote, requests for indicative prices, discussion or placement of orders and all other expressions of interests that may lead to the execution of transactions and outlines our management of potential or actual conflicts of interest in our principal-dealing and market-making activities. This document covers also certain contractual aspect when we are dealing FX transactions (see third party payment instruction and governing law and jurisdiction section).

Natixis is a global financial services firm (the "Firm") that operates as a dealer and market maker in the FX market. As such, Natixis engages in price-quoting, order-taking, trade execution and other related activities. Unless otherwise agreed, Natixis engages in these transactions as Principal.

Natixis is dedicated to upholding a high level of integrity and adhering to best practices and requirements published by relevant international groups and regulatory bodies in its dealings with counterparties such as the FX Global Code of Conduct published in May 2017. Natixis has confirmed its commitment in signing the "Statement of Commitment to the FX Global Code".

Ethics

Natixis strives to behave in an ethical and professional manner to promote the fairness and integrity of the FX market in acting fairly and reasonably in its dealings with clients and other market participants.

Principal Trading

When Natixis acts in a Principal capacity, it acts as an arm's-length party to transactions with its counterparties. The Firm does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of a counterparty and thus does not undertake any of the duties that an entity acting in that capacity ordinarily would perform, unless otherwise explicitly agreed between Natixis and the counterparty, and then only when Natixis acts with discretion in execution. Natixis' FX sales and trading personnel and FX electronic solutions do not serve as brokers or agents to a counterparty and accordingly any statements made by, or communicated through, them should not be construed as recommendations or advice. A counterparty [or client] is expected to evaluate the appropriateness of any transaction based on its own facts and circumstances and its assessment of the transaction's merits.

Natixis takes reasonable steps to obtain the best possible execution outcome where it acts on behalf of a client as riskless Principal. In this respect, Natixis (subject to any specific instructions of the client) takes into account price, cost, speed, likelihood of execution and settlement of execution, size and other relevant factors when executing an order.

If Natixis acts in circumstances where it has a conflict of interest, Natixis will manage its activities through the relevant policies, procedures and other controls it has in place to mitigate these conflicts, consistent with its status as a market maker and a regulated entity.

When Natixis accepts a client's "order" which involves Natixis "working" that order, Natixis is indicating a willingness to attempt, and not a commitment, to enter into the trade at or near the price requested by the client.

Market Making

As a market maker, Natixis may receive requests for quotations and multiple orders for the same or related currency pairs. Natixis acts as Principal and may seek to satisfy the requests of all its clients and counterparties and its independent risk management objectives, but it retains discretion with respect to how to satisfy its clients and Natixis counterparties, including with respect to order execution, aggregation, priority and pricing. Natixis will exercise this discretion in accordance with policies established consistent with its status as market maker and a regulated entity. Natixis is not required to disclose to a counterparty when the counterparty attempts to leave an order that Natixis is handling other counterparties' orders or that Natixis has its own orders ahead of, or at the same time as, or on an aggregated basis with, the counterparty's order.

As Principal, Natixis attempts to execute an order when it can expect to make an appropriate return on the transaction, taking into account market conditions at the time, Natixis' position, including its inventory strategy and overall risk management strategies, its costs, its risks and other business factors and objectives it elects to consider. If and when a counterparty's order becomes executable, it does not mean that Natixis holds, acquired, or will be able to acquire, sufficient inventory to complete the transaction at the order price level, or that there exists a tradable market at that level.

As a market maker that manages a portfolio of positions which arise from trades with multiple counterparties with competing interests, as well as Natixis' own interests, Natixis acts as Principal and, subject to its internal policies outlining the balance of these competing interests consistent with its status as a market maker and regulated entity, may trade prior to or alongside a counterparty's transaction to execute transactions for Natixis or to facilitate executions with other counterparties, to manage risk, to source liquidity or for other reasons. These activities can have an impact on the prices Natixis offers a counterparty on a transaction and the availability of liquidity at levels necessary to execute counterparty orders. They may also trigger or prevent triggering of stop loss orders, take profit orders, barriers, knockouts, knock-ins and similar conditions. In conducting these activities, Natixis endeavors to employ reasonably designed means to avoid undue market impact.

However, Clients have to be aware that any slicing or trading not full amount may impact the market and will make Natixis more difficult to price and manage the risk associated to the trade. The more transparent is the client on its trade notional the better is the pricing.

When solicited for, and prior to the execution of, a transaction, Natixis may risk-mitigate or hedge any exposure that would be created by such transaction. Where a counterparty instructs Natixis to use discretion in executing its orders (for example, an instruction to work an order over the course of the day or subject to other parameters), Natixis may enter into risk management transactions at different times and prices to be able to execute the order, including in a manner that may result in a mark-up, mark-down or spread relative to the price at which the order is executed.

Pre-hedging

Pre-Hedging is the management of the risk associated with one or more anticipated client transactions. It is designed to benefit the client in connection with such orders and any resulting transaction, and to mitigate the risk related to the client transaction.

Where a client indicates interest in a potential transaction, provides a request for a quote or leaves an order, Natixis may use that information to engage in Pre-Hedging activities by dealing as principal with a view to facilitate a potential transaction. Any Pre-Hedging transaction may occur at different price from the client traded price, may affect the market price and liquidity in a way or another, and may result in a profit or loss to Natixis. Pre-hedging activity can occur within days, hours, minutes, seconds, milliseconds before the client trades its request.

Acting as a Principal, Natixis may execute other transactions or conduct risk management activities ahead of executing a client order. While undertaking pre-hedging, Natixis may continue to conduct ongoing business, including risk management, market making, and execution of other client orders. Pre-hedging can lead to market making activity with other clients or other trading venues in the same currency at the same time.

Sales will transmit to the relevant trading desk any information that the client gives about the transaction to come (side, timing, number of slices, platform, other trades to come, number of banks in competition …). For instance, a client can ask a two-way price electronically but let Natixis' sales know about more color: side, timing, slices… Despite an intent by the liquidity provider to provide a benefit to the liquidity consumer and to limit the market impact of a trade, pre-hedging may result in an adverse outcome for the liquidity consumer depending on the circumstances.

If Natixis pre-hedges a client transaction, it will take reasonable steps to avoid pre-hedging being detrimental to such transaction, disadvantage the client or disrupt the market.

In particular, Natixis may pre-hedge for example for the following non-exhaustive reasons:

- when receiving a large order size
- to reduce the execution slippage risk in order to benefit the client spread conditions
- to manage Natixis exposure and the market impact

Client will not, as a routine, be notified about any pre-hedging intention on a trade-by-trade basis. Any client that would like Natixis not to pre-hedge their requests must notify it by writing to the FX salesperson. Natixis has no obligation to pass on to a client profit derived from pre-hedging activities.

Any financial product provided by Natixis which includes some FX risk is falling under the scope of this pre-hedging disclaimer.

Orders Handling

Natixis can execute FX transactions as principal in various channels:

- As Principal via Natixis' voice trading facilities ("Voice Trading")
- As Principal through various proprietary, interdealer or other electronic FX platforms (DealingFX, BloomFX, FXALL, EBS, D3, CRNX, HOTSPOT, EURONEXTFX/FASTMATCH, etc.)
- As Principal via Chats (like Bloomberg, etc.)

The manner in which a FX order is priced, handled or executed differs according to the platform on which trading is conducted, as further described in this disclosure.

Natixis provides the FX resting order service in its capacity as Principal. This means that Natixis will fulfill orders to provide a best execution service. Natixis' receipt of an order via its FX channels does not, however, commit Natixis to executing all or part of the order received.

Stop-losses are by default traded as BID/ASK stop-losses (i.e. sell at the bid or buy at the ask when the stop-loss level matches the best available BID or ASK price in the relevant venue or price reference). Any specific requested typology for a stop-loss (one-]touch, discretion, etc.) must be requested in writing by the client. A stop-loss level cannot be guaranteed as any slippage or market gap will be transmitted to the client price.

In addition to the above, clients should be aware of the following in relation to resting orders that confer Natixis with a degree of discretion in the execution thereof (including, but not limited to, certain stop loss orders, 'at best' or 'at worst' orders or orders worked over a period of time):

- Natixis uses market standard reference prices (including EBS and Refinitiv D3 market data) to manage the FX resting orders
- Partial fills: Natixis permits partial fills of resting orders. Each order will be filled at the actual transacted volume. Nevertheless, Natixis does not use underfilling at all.
- Order sequencing: Resting orders with the same economic details will be filled in the order they are received irrespective of the order size.
- Timestamping occurs on every client trade done via an electronic platform and is recorded accordingly.

Clients selecting e-mail or another form of electronic messaging (e.g. chats, instant messages, etc.) as the mode of communication their FX trade orders should understand and accept that these orders, if accepted by Natixis, will only be actioned once the Natixis representatives responsible for their handling has actually opened read and acknowledged the e-mail or other electronic communication. This could result in the order either not being filled or filled at a much later time than when first received into the Firm's e-mail or other electronic messaging system. During the period between the electronic transmission of an order and the point at which the e-mail or other communication is opened and read, the counterparty will be exposed to the risk that its order may not be filled (including where the market has moved in the counterparty's favor) or may be filled at a worse level because market conditions have changed in the interim.

Natixis may outsource the management of some FX spot resting orders to another bank during some specific time period of the week.

In the specific case of a Benchmark order, Natixis will act as Principal. Natixis will operate in order to minimize the market impact resulting of the execution of such an order. Natixis will try to match the orders and will execute as principal the remaining position before, during or after the calculation window.

In the specific case of a FX Algorithmic Execution offered to client, Natixis will act as riskless Principal. The FX Business offers client access to algorithmic trading strategies for executing FX Spot orders whereby the algorithmic trading strategies are able to execute using external liquidity as well as Natixis's internal liquidity The algorithmic order can be communicated by the client, by e-platform or by voice to the relevant salesperson.

These orders are executed by the FX Business desk and are subject to a pre-disclosed fee which is built into the final exchange rate at which the transaction is confirmed.

Natixis can share disclosure information to any client asking Natixis about it, in a market-wide standardized format – e.g. by aligning with the structure of the GFXC's FX Algo Due Diligence Template where appropriate – in order Client can more easily compare and understand the services.

Trading and Sales Practices

- Last look:

Prices published electronically by Natixis are indicative. When a client trades on this indicative pricing, Natixis performs different sanity checks such as: validity, credit limit and price checks.

Natixis uses the Last Look (Price check) functionality as a risk control mechanism to identify whether trade requests are made at prices that are within Natixis' price tolerance for execution. This control may be applied immediately upon receipt of a submitted trade request or after a brief time delay. In each case, the client price is compared to the refreshed market price. The purpose of last look is to protect against trading on stale prices due to latency, and against certain trading behavior. For instance, activities such as aggregation, order splitting or previous quote selection may result in more rejected trade requests. Therefore, the proportion of trade requests that are rejected due to last look will depend in part on the trading behavior of the client and the platforms through which it trades.

Last Look check is performed as soon as technology allows us to do so after having received the trade request. Natixis does not apply any extra "holding time window". Natixis won't run any risk management activity in relation to the trade request once the controls (validity, credit limit and price checks) are completed and the trade request has been accepted. Natixis applies last look asymmetrically, which means that trades are not rejected or not improved if the prevailing market has moved in the Clients' favor. A client can on request ask Natixis to provide symmetrical Last Look if the platform where Natixis acts as market maker is capable of price improvement.

Natixis has in place a governance and controls on last look with appropriate management and compliance oversight.

- Pricing:

Any firm or indicative price or spread that a client or counterparty may receive or overhear is an "all-in" price or spread that incorporates sales and trading mark-ups over the price or spread at which Natixis traded or may have been able to trade with different counterparties.

Natixis' all-in prices (including mark-up) and spreads are tailored to individual clients and are based on a broad range of standard commercial factors, including market conditions (with specific level), Natixis' own costs and transactions, overall services provided by sales or the Firm and Natixis' relationship with the client.

As market participant, Natixis applies an internal Margins Policy.

- Mark-Up:

All prices enter in the thresholds defined by our Margins Policy determining an appropriate and fair mark-up that is regularly monitored by Natixis.

Natixis discloses details regarding its mark-up and can provide information to clients in order to understand how the mark-up may impact the pricing and/or execution.

Information Sharing

A counterparty should understand that Natixis makes use of information provided to it as Principal to carry out and risk manage transactions. Specifically, unless otherwise agreed, Natixis may use the economic terms of a transaction (but not the counterparty identity) to source liquidity in anticipation of counterparty needs, execute hedging or risk mitigating transactions, and/or manage the associated trading risk Natixis assumes as market maker. Information received in relation to rejected trade requests can also be used, after the end of any applicable last look window, in the course of Natixis market making activity and for risk mitigation purposes. In addition, as a regulated entity, Natixis also shares counterparty information with, or as requested by, markets contacts and its global regulators.

Natixis may analyze, comment on, and disclose appropriately non-specific information regarding orders and executed transactions (e.g. information that has been anonymized and aggregated), and other relevant market information, internally and to certain counterparties, to provide its view on the general state of and trends in the market and/or to provide market color. Counterparties and clients should understand that information regarding their flows may form a constituent part of the market color the Firm provides to its counterparties.

It should be expected that Natixis' sales, trading and other personnel will consult with one another, including with respect to a counterparty's interests, trading behavior and expectations, mark-up, mark-down, spread, and any other relevant factors, as part of its market making activities.

Dealer Polls / Benchmarks

In some cases, the terms of a FX transaction may provide that the value of an exchange rate or fallback exchange rate is to be determined based on a Benchmark. The Firm may be requested to provide quotations from time to time in such dealer polls. Any such quotations may affect, materially or otherwise, the settlement of FX transactions. If the Firm, or an affiliate, provides such quotations and also acts as Principal in FX transactions that refer to the corresponding exchange rate. In that case, the Firm faces an inherent conflict of interest, which will be managed through the relevant policies, procedures and other controls the Firm has in place to mitigate these conflicts and enhance the integrity of its submitted dealer poll quotations.

Natixis will not disclose information relating to benchmark orders other than on a need-to-know basis to Natixis employees or third parties.

Natixis aims to provide a best execution service in relation to benchmarks orders.

Natixis informs clients in advance about external factors that could affect the benchmark rate, e.g.: macro data, illiquid market conditions and any other relevant event. A proprietary trustful source for prices traded by Natixis is available to clients on request, with information on the assessment of accuracy of sources as well.

Risks

Natixis monitors regularly trading activities, including the identification and internal escalation, as appropriate, of failed, cancelled or erroneous trades. Globally, Natixis has practices in place to limit, monitor and control the risks related to its FX market trading activity (for example with adequate processes to manage counterparty credit risk exposure) and, to identify and manage its operational risks.

Natixis has internal incentives and mechanisms to reduce risks associated with FX settlement. Coordinated by the Department of Risk and Back-Office teams.

Confidentiality

Protecting the confidentiality of client information is important to Natixis. Natixis treats client information in accordance with its terms of business, relevant agreements and applicable law or regulation. If it is necessary to disclose client information internally or externally in order to execute transactions or accomplish risk management, Natixis will only do so in accordance with applicable Natixis confidentiality policies and procedures or specific agreements relating to client confidentiality.

Natixis also has regulatory obligations which may require it to disclose client information. For example, Natixis may disclose client or counterparty information to regulators pursuant to its regulatory reporting obligations. Natixis may also disclose information in the course of regulatory investigations or legal proceedings.

Business Continuity Plan (BCP)

Natixis has put in place a BCP according to the nature, scale and complexity of its FX business to address potential large-scale disasters, loss of access to significant trading platforms, settlement, other critical services or other market disruption.

Third payment instruction

Following a foreign exchange spot transaction entered between a client and Natixis, the client may request Natixis to make a payment to a third party. If such request is accepted by Natixis, the following provisions will apply:

Natixis shall not be liable to the client in respect of any claims, losses, expenses (including reasonable legal fees) and liabilities incurred or suffered by the client arising out of or in connection with any failure or error by Natixis or any of it correspondent bank in processing a payment instruction in accordance with the terms of a transaction unless such claims, losses, expenses and liabilities were caused by Natixis gross negligence, wilful default or fraud.

Natixis shall not be liable for any reason toward the third-party and it shall not be deemed that Natixis has entered into any transaction or that any legal contractual relationship has been created with such third party due to the payment instruction made by the client and accepted by Natixis.

Governing law and jurisdiction

If you are incorporated or established in France at the time you enter into a transaction with Natixis:

(a) any transaction and any non-contractual obligations connected with it and any disputes arising under or in connection with a transaction or its subject matter, existence, negotiation, validity, termination and enforceability are governed by and shall be governed by and determined only in accordance with French law; and
(b) Natixis and the client irrevocably agree that the Paris commercial court (Tribunal de commerce de Paris) will have exclusive jurisdiction, and that no other court is to have jurisdiction to determine any proceedings and to grant interim remedies, or other provisional or protective relief.

If you are incorporated or established in jurisdiction other than France at the time you enter into a transaction with Natixis:

(a) any transaction, any non-contractual obligations connected with it and any disputes arising under or in connection with a transaction or their respective subject matter, existence, negotiation, validity, termination and enforceability are governed by and shall be governed by and determined only in accordance with the law of England and Wales.
(b) Natixis and the client irrevocably agree that the courts of England and Wales will have exclusive jurisdiction, and that no other court is to have jurisdiction to determine any proceedings and to grant interim remedies, or other provisional or protective relief.