



BIS Global Foreign Exchange Code Disclosure

FOREIGN EXCHANGE CLIENT COMMUNICATIONS

FOREIGN EXCHANGE GLOBAL CODE DISCLOSURE

Background

The FX Global Code https://www.globalfx.org/adopting_the_global_code.htm was first published by the Global Foreign Exchange Committee in May 2017 to address shortcomings and restore confidence in the global foreign exchange market. The Global Foreign Exchange Committee assesses regularly whether foreign exchange developments warrant specific revisions to the FX Global Code and when appropriate, continue to issue standards to meet specific circumstances in local markets. The FX Global Code promotes a robust, fair, liquid, open and transparent market. Its fifty-five principles are broadly split into six categories: Ethics, Governance, Execution, Information Sharing, Risk Management and Compliance, and Confirmation and Settlement and is earmarked to offer a single blueprint and global code of conduct in the wholesale foreign exchange market.

FirstRand Bank Limited, acting through its First National Bank of Botswana Limited subsidiary ("FNBB") is active in the wholesale foreign exchange market as a significant market participant (as defined in the FX Global Code). FNBB believes in maintaining the highest levels of ethical behaviour, prudent risk taking, uncompromising risk management and operational excellence and its employees are expected to maintain the utmost ethical standards from a business and personal perspective. FNBB will uphold best business practices across the foreign exchange value chain and to its clients. As a regulated entity, FNBB adheres to applicable rules and regulatory requirements and where appropriate, follows international best practices.

STATEMENT OF COMMITMENT

As a registered and authorised market participant, FNBB has taken the necessary and appropriate steps to align, uphold, maintain and execute all wholesale foreign exchange market activities in accordance with the fifty-five principles set out in the FX Global Code. To this effect FNBB has published a Statement of Commitment to comply with the FX Global Code https://www.cls-group.com/media/tq1gz13j/statement-of-commitment-to-global-fx-code_firstrand.pdf.

FNBB undertakes to uphold the six leading principles of the FX Global Code:

1. Ethics: To behave in an ethical and professional manner to promote the fairness and integrity of the foreign exchange market.
2. Governance: To have a sound and effective governance framework for its FX Market activity and to promote responsible engagement in the foreign exchange market.
3. Execution: To exercise care when negotiating and executing transactions in order to promote a robust, fair, open, liquid and appropriately transparent foreign exchange market.



4. Information Sharing: To be clear and accurate in its communications and to protect confidential information that supports a robust, fair, open, liquid and appropriately transparent foreign exchange market.
5. Risk Management and Compliance: To promote and maintain a robust control and compliance environment to effectively identify, manage and report on the risks associated with its engagement in the foreign exchange market.
6. Confirmation and Settlement Processes: To put in place robust, efficient, transparent and risk-mitigating post-trade processes to promote the predictable, smooth and timely settlement of transactions in the foreign exchange market.

The remainder of this document reflects FNBB's approach to upholding the Execution Principle in the delivery of its foreign exchange offering in the wholesale foreign exchange market.

These disclosures apply to foreign exchange business executed with FNBB via all execution channels, including telephonic, electronic or digital platforms by wholesale clients. These disclosures do not apply to the supply of banknotes as may be required by certain customers from time to time. The disclosures made by FNBB in this document supplement and are in addition to product disclosures such as the Foreign Exchange Terms and Conditions agreed to by clients and published on the website <https://www.fnbbotswana.co.bw/legal/productTermsAndConditions.html> as applicable. In the event of any conflict between the content of this communication and any terms and conditions to which a transaction is subject to, the latter will prevail.

KEY DISCLOSURES

Principal Trading

FNBB acts in a principal capacity when entering into foreign exchange transactions with clients. As such FNBB enters into foreign exchange trades on an arm's-length basis. In foreign exchange markets FNBB does not act as agent, fiduciary, financial adviser or in any other similar capacity, nor does FNBB provide any regulated advice to clients in this market.

FNBB acting as principal, may take risks such as credit risks and varying degrees of market risk. FNBB has no obligation to execute a transaction until both parties agree to a transaction. When accepting an order, FNBB acting as principal may exercise discretion in executing the order, reasonably, fairly and to not disadvantage a client in any way. As a significant market participant, FNBB continually executes client transactions which introduce risk to FNBB given that it trades as a principal. As such FNBB is continually active in the market in order to manage its overall risk profile.

Pre-Hedging Practices

The Global Foreign Exchange Committee has clarified that Principle 11 of the FX Global Code relating to pre-hedging practices is not meant to apply to situations where the liquidity provider is managing their ongoing inventory risk by anticipating general order flow, including the risk management of reasonably expected near term demand. Further,



it has clarified that Principle 11 covers anticipated client orders that are large relative to the available liquidity in the market at the time of the order and that could have a significant market impact.¹

As a significant market participant, FNBB manages ongoing inventory risk by anticipating general order flow. FNBB, however, does not engage in pre-hedging as contemplated by the Global Foreign Exchange Committee unless it acts as principal and the Client is informed and consents to this practice. Any such activity will be by exception, will not disrupt market functioning, and will be with the intent to deliver the best client outcome possible in prevailing market conditions.

Last Look

FNBB utilises last look in Electronic Trading Activities whereby FNBB has a final opportunity to accept the quoted price. FNBB applies transaction validation and price checks with the intent to minimize the time taken to do so. If last look validation is triggered, a trade may be rejected. An automated response will be communicated to the client through the execution trading platform on which the client traded to inform the client that the trade was rejected. Last look is operated under a zero-length hold window, which means when a trade is received, FNBB's pricing engine will immediately perform any checks for price movement at the time of the incoming order against the current rate and apply the decisioning. The application of the price check feature of last look allows FNBB to manage, control and validate latencies and protect FNBB from adverse trading behaviour and market conditions. Where last look is applied this is done symmetrically to the client and FNBB. The validity check is applied to ensure compliance to credit, market risk and other risk factors for the transaction. FNBB recognises that there may be latency between the client's execution system, the chosen trading venue and the network connectivity to the venue. FNBB is only able to act on what is within FNBB's control, which is the time it takes for FNBB to respond once an order is received by its system. FNBB believes in full transparency and will engage with the client in unpacking the latency value chain.

Last look is applied at execution level across venues and clients are informed about last look. A client cannot opt out of last look unless the client selects to trade via a different channel or execution style where last look is not applied. Should the need ever arise to deviate from a zero-length hold time approach, FNBB will do so with full disclosure to clients of the rationale and parameters of such changes.

Orders, Order Aggregation and Use of Discretion

Orders

As principal for the managing and execution of client orders, FNBB is committed to ensure all orders receive due care and are filled on a first-in and best-efforts basis, are taken as firm and good until cancelled by the client (unless the client requests a specific expiry time and date limit) and are only executed based on agreed terms. Where a trade is executed in error away from the prevailing market, due to an autofill or operational failure, FNBB reserves the right to invalidate and cancel the trade.

Various factors may affect FNBB's execution, which would typically include positioning, whether FNBB in managing the client orders is itself taking associated risk and prevailing liquidity and market conditions; other client orders and or trading strategy may also affect the execution policy. Unless otherwise specifically agreed, FNBB will exercise its

¹ Global Foreign Exchange Committee: Commentary on Principle 11 and the role of pre-hedging in today's FX landscape, July 2021, https://www.globalfx.org/docs/commentary_principle_11_role_prehedging.pdf



reasonable discretion in deciding whether to work an order; which orders it is willing to execute; when FNBB will be willing to execute the orders; how FNBB executes the orders; and whether to execute all or part of the order. Discretion may be applied for aggregation in the client's best interests to net-off opposite positions in times of extreme market stress.

Orders are triggered by the market rate as determined by FNBB and may therefore be subject to slippage due to liquidity and the timing of the order. When FNBB acts as principal this implies that the actual rate derived will be a client rate considering the aforementioned factors, and not the rate at which the order was placed at. Orders left on a principal basis may also be subject to margin.

FNBB has clear restrictions and other requirements which may apply to the use of electronic quotations via FNBB's electronic trading platforms. Market risk transfers when the trade is filled and executed. When leveraging multiple liquidity providers to manage FNBB's foreign exchange risk, the market data policies pertaining to those providers may be made available to the clients upon request.

Time Stamps

All orders received via FX Electronic-Trading Platforms or electronically are time stamped when the orders are received and captured onto the electronic channel. The orders will be time stamped, again at the time they are accepted, triggered or executed. Clients can view all orders on the platforms and FNBB sends a weekly reminder of open orders and long dated foreign exchange contracts.

Stop Loss Orders

FNBB may provide Stop Loss Orders to qualifying clients on a principal basis. Stop Loss Orders are triggered by the market rate determined by the trading desks. Stop Loss Orders may be subject to slippage due to liquidity and general market depth at a point in time, as well as the timing of the placement of an order on a 'first in first filled' principle. Clients will receive the rate at which FNBB is able to trade which may be subject to a mark-up, and not always be executed at the rate at which the trade was placed.

Use of Reference Prices

FNBB calculates internal market rates using the rates published by various global liquidity providers which provides a better indication of the actual ability to execute. FNBB leverages a number of liquidity sources to determine its core prices.

Mark Up and Fair Pricing Standards

Various factors influence the price disclosed to clients. Market factors such as liquidity and volatility which determine the market bid/offer spread and internal factors such as costs and risk. The final price may be inclusive of mark up and different clients may receive different prices. Mark up may impact the pricing and/or execution of any order linked to or triggered at a specific level. Mark up may be influenced by available liquidity and order processing sequencing (first in first out) which may add slippage. Prices are fair and reasonable considering applicable market conditions and internal risk management practices and policies.



In addition to the reference price, additional factors are used to determine a client mark up, including, but not limited to, cost of execution, annual turnover, trade size, credit risk, channels used and the client's overall banking relationship with FNBB.

Factors which may influence client mark-up include:

1. Fixed and variable costs are incurred by FNBB associated with the provision of foreign exchange;
2. Fixed and variable costs relating to market liquidity and operational complexity;
3. Operational and Compliance costs associated with the implementation of controls and mitigation measures;
4. Credit risk associated with a client and the implicit ability to honour settlement obligations in the future;
5. Balance sheet and regulatory friction costs; and
6. Pricing may be determined using a portfolio valuation of a client's commercial activity with FNBB.

Aggregation Services

FNBB does not provide algorithmic trading or aggregation service to its clients, though may use these services when trading for its own account as principal.

Use of Liquidity Sources

All liquidity sources represent FNBB relationships established with global banks and non-banks as well as primary market venues. Any trading with these liquidity providers is to offset risk exposure for FNBB and falls within FNBB's responsibility as a principal. Clients may request information from their dealer to understand how any orders were managed.

Market Colour

FNBB provides market colour by sharing flow information on an anonymized and aggregated basis only. The views shared by FNBB are on the general state of and trends in the market. FNBB's communication will not include any specific client names, or the identity or trading patterns of any specific client. FNBB will not solicit confidential information when providing market colour communications.

Client Confidentiality

FNBB compliance policies and procedures are in place to ensure its employees protect proprietary, confidential and personal information of FNBB and its clients. FNBB's Compliance department monitors employees with respect to unauthorised transmission or use of such information. The privacy notice is accessible through FNBB's website at <https://www.fnbbotswana.co.bw/downloads/fnbBotswana/legal-matters/privacyPolicy/CustomerPrivacyNotice.pdf> which sets out how FNBB processes client personal information.



Communication Method

FNBB's clients may execute foreign exchange transactions either on electronic platforms or telephonically. If clients use electronic platforms to execute trades, the client understands if the order is accepted, the order will only be actioned once the communication has been read and acknowledged by an authorised representative of FNBB.

The Way Forward

Clients should independently evaluate the appropriateness of a foreign exchange transaction for their own needs. This evaluation should include, but should not be limited to, exchange control implications and the relevance of foreign exchange transactions to their business activities.

FNBB has a responsibility to constantly meet regulatory and governance obligations. FNBB believes that as a significant market participant, it has a responsibility to ensure it upholds the highest levels of ethical standards and conduct.

FNBB has clear standards and policies in place which strive for the fair treatment of its clients and the management of conflicts of interest. FNBB's standards, policies and procedures are reinforced internally with regular specific compliance training and awareness campaigns.

FNBB is represented by its employees in industry forums and committees in the wholesale foreign exchange and other markets, both locally and internationally, to recommend and support higher ethical standards.

Want to know more?

Kindly contact your foreign exchange dealer or relationship manager to learn more about how the new FX Global Code impacts your business. A copy of this disclosure is also available at: <https://www.firststrand.co.za/media/investors/policies-and-practice/pdf/statement-of-commitment-to-global-FX-code.pdf>