

# OP CORPORATE BANK PLC POLICY FOR FOREIGN EXCHANGE TRADING AND THE EXECUTION OF FOREIGN EXCHANGE ORDERS

## INTRODUCTION

OP Corporate Bank Plc (“Corporate Bank”) is a signatory to the global principles of good practice in foreign exchange trading, FX Global Code (“Code”). The Code is a collaboration between central banks and market participants on the basis of plans by the Basel Committee on Banking Supervision, and was published in May 2017 with the intention to form a coherent and integral part of the wholesale foreign exchange and currency derivatives markets.

This document specifies the policies of the Corporate Bank in foreign exchange trading and describes the practices employed by the Corporate Bank in the execution of orders by market participants. The Corporate Bank is committed to act with transparency, consistency and fairness and comply with the principles of the Code.

The Code serves as a supplement to applicable law, and its practices and policies may be amended in the future due to changes in market practices or laws governing foreign exchange trading.

## CLIENT TRADING AND PRICING

The Corporate Bank executes financial instrument and foreign exchange market transactions always on its own behalf and offers the client a binding price as either the total price (total exchange rate) or price difference (spread). This price or price difference includes any transaction costs and fees. Pricing is affected by the complexity of the transaction, market liquidity, settlement risks and credit risks, capital requirements, costs incurred by the Corporate Bank over the transaction lifetime, and other factors related to the client or market situation.

## EXECUTION OF FOREIGN EXCHANGE TRADING

The Corporate Bank operates in the foreign exchange market as a counterparty on its own behalf in order to execute orders by clients and other market participants and to manage its own trading book. The pricing systems of the Corporate Bank are open between 07:00–23:00 (local time) on weekdays. In pricing client orders, the Corporate Bank may, at its discretion and depending on the market situation, utilise the bank’s own trading book. The execution of orders may be affected by, among other factors, current market liquidity, the volume of the transaction in relation to market availability, and the use of the bank’s own trading book in the execution. The Corporate Bank may also execute its own orders in order to manage its own risks, and such orders executed to manage the bank’s own market risk may impact the execution of other orders.

In its trading, the Corporate Bank strives to prevent distortions in market price due to trading carried out by the Corporate Bank. The market risk arising from trading is transferred between the market participants after the client has requested from

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a representative of the Corporate Bank a firm price and confirmed intent to carry out the transaction at that price, and the representative of the Corporate Bank has confirmed execution of the transaction at that price. In its own trading, the Corporate Bank uses direct counterparties, single bank systems, multi-bank systems, and other electronic interfaces (API).

## ORDERS

The Corporate Bank accepts foreign exchange orders from clients at its discretion. An order refers to a transaction in which the client submits a confirmed request to buy or sell a financial Instrument under specific, predefined terms. Orders differ from normal trading, in which the client has the right to accept or reject a binding price, price difference or exchange rate quoted by the Corporate Bank.

## TYPES OF ORDERS

Upon placing the order, the client must specify all terms required to execute the trade, including capital, price, period of validity and direction.

### **Market order (best available price):**

The client may request the Corporate Bank to execute an order on behalf of the client. In executing the order, the Corporate Bank takes into account factors that affect execution, such as current liquidity, market depth and overall market situation, and executes the order at its discretion and based on its expertise in order to obtain the best available price. In this case, the client waives its right to accept or reject the final price.

### **Limit and Stop Orders (Take Profit and Stop Loss)**

Limit and Stop Orders (Take Profit, Stop Loss) refer to orders in which the order price (order exchange rate) is set at a level that differs from the current market price. Upon placing a Limit, Stop or Entry Order, the client must be aware of the fact that they relinquish the certainty of immediate execution of the order. The order is executed when the order price is reached, provided that the Corporate Bank has the capacity to execute the order at the requested order price, taking into account the client-specific mark-up.

### **Fixing Orders**

Clients may place so-called Fixing Orders that are executed at a specific time requested by the client (such as WM fixing). In these orders, a specified nominal sum is bought or sold at the benchmark/fix rate requested by the client. The Corporate Bank acts on its own behalf in all Fixing Orders. Fixing Orders are always executed in full.

## ORDER PRIORITISATION AND EXECUTION METHODS

In the event that several market participants place orders with the same currency pair and market level, the Corporate Bank shall prioritise their execution according to the order time. This means that orders that are received first are executed first.

The Corporate Bank may merge similar orders and execute them together in full or partially, if necessary. In executing similar orders, the Corporate Bank will always strive to select the execution method that offers the best possible outcome to the client.

Orders may be executed either manually or electronically, and the selected method may affect the execution of the order and/or the mark-up. Factors that affect the execution of orders are described under the section Execution of Foreign Exchange Trading above.

All confirmed and received orders contain a timestamped chain of execution, from receiving the order to executing the trade. If the initial order is altered by the client, the time-based order of priority of the order is also changed. In terms of prioritising orders, the changed order is comparable to a newly placed order.

If the client issues special instructions related to an order or a certain part of it, the Corporate Bank will primarily follow such instructions. The client's special instructions may prevent the Corporate Bank from complying with the principles described in this document or from achieving the best possible overall outcome to the client. Special instructions must be submitted by means of a storage medium upon placing the order.

#### **PRE-HEDGING OF ORDERS**

As a rule, the Corporate Bank will not provide pre-hedging of orders placed by other market participants or by clients. If the execution of an order may result in market disruptions due to market liquidity or an exceptional market situation, the Corporate Bank will contact the market participant that placed the order to agree on the particulars of executing the order by means of storage media.

#### **ELECTRONIC TRADING AND THE ORDER APPROVAL PROCESS**

All freely exchanged currencies in the Corporate Bank's range of offered currencies are available for electronic trading. The prices of all currency products are non-binding until the client requests a binding quotation. While prices are non-binding, the Corporate Bank may, at its discretion, remove, accept or reject trading requests from clients.

After the client has requested a quotation via electronic channels, the Corporate Bank will, upon receiving the request, immediately initiate the approval process for the trade, including ascertaining the client and the sufficiency of trading limits, reviewing the parameters of the request for quotation, and initiating measures to prevent the possibility of arbitrage due to procedural delay. All conditions required for the approval process must be met before the trade may be accepted.

During the trade approval process, the Corporate Bank uses a pricing margin to ensure that the market price remains accurate after the approval process is finalised. The trade is accepted if changes in market prices during the trade approval

process remain within the limits of the pricing margin. From the client's standpoint, the pricing margin is impartial and enforced in both favourable and unfavourable market fluctuations.

The electronic trading approval process is part of normal risk management processes employed by the Corporate Bank. While the approval process is ongoing, the Corporate Bank will not make use of any information obtained from the client order.

## CONFLICTS OF INTEREST AND CONFIDENTIALITY

By offering a wide range of services to clients, the Corporate Bank serves in several roles that may lead to conflicts of interest. We strive to detect and prevent any conflicts of interest in advance.

In situations where conflicts of interest cannot be avoided, we comply with OP Financial Group's guidelines related to the management of conflicts of interest and the prevention of corruption. All possible cases of conflict of interest are appropriately processed and documented. Clients' interests may be in conflict with the interests of our employees, members of governing bodies, other clients, or OP Financial Group. If a conflict of interest is found to exist, the Corporate Bank will provide the client with sufficient details of the situation and reasons before taking measures that affect the client.

The Corporate Bank observes bank secrecy, the confidentiality of client data, and contractual secrecy obligations in all its operations. We process data related to clients in order to better provide services to clients. We collect and process such data carefully for the purpose of developing our products and services.

We process the data of market participants only in the extent necessary to carry out work duties. The Corporate Bank ensures that data are processed accurately and in accordance with processes and guidelines throughout the lifecycle of the data. In addition to client data, all information related to the business operations, employees and members of governing bodies of the Corporate Bank is confidential.