Foreign Exchange Margin Trading

大新銀行
DAH SING BANK

Invest In Foreign Exchange with Leverage to Help Enhance Your Potential Investment Return

Together **We Progress and Prosper**

Foreign Exchange Margin Trading service provides you with greater flexibility to capture opportunities in the dynamic foreign exchange market.

Foreign Exchange Margin Trading ("FXMT") service of Dah Sing Bank, Limited (the "Bank") allows you to invest in the foreign exchange market with leverage by maintaining a margin deposit which is a fraction of the notional amount of a foreign exchange contract. By entering into a foreign exchange contract, you invest in a currency with margin deposit in the expectation that its exchange rate against another currency will rise or fall. The profit or loss of the contract depends on the difference of the exchange rates at which you open and close your position as well as the interest rate differential between the involved currency pair.

Product / Service Highlights:

- Competitive trading spread and roll-over interest
- No commission fee or transaction handling charge
- Initial margin as low as 5% of investment amount
- Wide variety of order types to suit your needs

Quick Facts:

<table>
<tr><td>Types of Contracts</td><td>Spot or Forward
Spot Contract is a contract which Value Date is two business days from and excluding the day on which the contract is entered into.
Forward Contract is a contract which Value Date is more than two business days from and excluding the day on which the contract is entered into.
Note: FX Margin Trading in Forward Contract is not available to our retail banking customers. For enquiry, please visit any of our branches or contact your dedicated relationship manager.</td></tr>
<tr><td>Available Currency Pairs</td><td>AUD, CAD, CHF, CNH, EUR, GBP, JPY, NZD against USD, or crosses among these currencies (availability is at the Bank's discretion)
Note: CNH, also known as CNY(HK), is the offshore exchange rate of Renminbi (RMB) trading in markets other than mainland China.</td></tr>
<tr><td>Settlement Currency</td><td>USD
Note: If USD is not your home currency, you will be subject to additional foreign exchange rate risk when converting the amount of Settlement Currency to your home currency.</td></tr>
<tr><td>Minimum Margin Deposit</td><td>USD30,000 or equivalent</td></tr>
<tr><td>Margin Requirement</td><td>• Initial Margin (currently set at 5%) – you have to maintain a margin deposit of at least 5% of the contract amount before entering into a foreign exchange contract.
• Call Margin Level (currently set at 4%) – when margin level of your FXMT account falls below 4%, you will be contacted on a best effort basis, and reminded that the Bank will liquidate all your outstanding position(s) if additional margin is not placed and the margin level falls below the Cut Margin Level.
• Cut Margin Level (currently set at 3%) – when margin level of your FXMT account falls below 3%, all your outstanding position(s) will be force-liquidated without prior notice.</td></tr>
<tr><td>Trading Size</td><td><table>
<tr><td>Base Currency</td><td>Contract Lot Size</td><td>Increment</td></tr>
<tr><td>AUD</td><td>AUD 200,000</td><td>AUD 50,000</td></tr>
<tr><td>CAD</td><td>CAD 200,000</td><td>CAD 50,000</td></tr>
<tr><td>CHF</td><td>CHF 200,000</td><td>CHF 50,000</td></tr>
<tr><td>EUR</td><td>EUR 200,000</td><td>EUR 50,000</td></tr>
<tr><td>GBP</td><td>GBP 200,000</td><td>GBP 50,000</td></tr>
<tr><td>JPY</td><td>JPY 20,000,000</td><td>JPY 5,000,000</td></tr>
<tr><td>NZD</td><td>NZD 200,000</td><td>NZD 50,000</td></tr>
<tr><td>USD</td><td>USD 200,000</td><td>USD 50,000</td></tr>
</table>Note: CNH would not be the base currency among the available currency pairs but would be available as the counter currency.</td></tr>
<tr><td>Tenor</td><td>For Forward Contract – Maximum 1 year for all currency pairs except USD / CNH. For USD / CNH, the maximum tenor is 2 years.</td></tr>
</table>

Interest	For any Spot Contract which remains open and is not closed out at the end of the Trade Date, customer will receive interest on the currency bought (long) and pay interest for the currency sold (short) at the respective daily interest rates quoted by the Bank. The net interest, after converting into USD at the prevailing exchange rate, will be accrued daily starting from the Value Date of the outstanding contract up to (but excluding) the Value Date of the relevant close-out contract. The net interest would either be paid to or charged from the customer's settlement account on the second last business day of each month or on the Value Date of the close-out deal, whichever is earlier.
Mark-to-Market Rollover	To avoid undue loss accumulation and unnecessary interest expense, the Bank shall be entitled, but not obliged, to periodically square, consolidate and reopen the customers' spot contracts using the same prevailing exchange rate.
Quotation	As principal, the Bank provides the quotation by taking into consideration certain factors, including but not limited to, the prevailing FX rates from our counterparties, the real-time market data from financial information providers and the market liquidity.
Slippage	It is the difference between your order price and the final execution price.
Order Type	• Market order: An order to enter into a FX contract at the prevailing FX market rate, either to create a new open position or to liquidate an outstanding position. - No matter under normal or fluctuating market condition, the Bank will try the best to honor the quotation as the final execution price. - Under a fluctuating market condition, slippage may occur: i. if there is a positive slippage (refers to a favourable price difference), the final execution price will be more favourable than the quotation. ii. if there is a negative slippage (refers to an unfavourable price difference), the final execution price will be less favourable than the quotation. • Take-Profit Order: The order rate for the target contract is relatively better than the prevailing market spot rate. When the specified order rate is reached, the Bank will execute such order at the order rate. - No matter under normal or fluctuating market condition, the Bank will try the best to honor the specific exchange rate / specified order rate (whichever is appropriate) as the final execution price, for both Limit Order and Take-Profit Order. - Under a fluctuating market condition, slippage may occur. The final execution price will be more favourable than the specific exchange rate / specified order rate (whichever is appropriate) if there is a positive slippage; negative slippage does not apply to Limit order and Take-Profit Order. • Limit Order: An order to enter into a FX contract, either to create a new open position or to liquidate an outstanding position, at a specific exchange rate within a predefined period of time. The order will be executed when the criteria specified are met. • Stop-Loss Order: The order rate for the target contract is worse than the prevailing spot rate. The purpose of the order is to limit the downside risk of an outstanding position. When the order rate is reached, the Bank will execute the order at the next available rate, which can be significantly worse than the order rate under volatile market condition, and the loss may not be limited to the intended amount. - No matter under normal or fluctuating market condition, the Bank will try the best to honor the specific exchange rate as the final execution price. - Under a fluctuating market condition, slippage may occur. The final execution price will be less favourable than the specific exchange rate if there is a negative slippage. Positive slippage does not apply to Stop-Loss Order. • One-Cancel-the-Other-Order (OCO Order): A combination of two pending orders, usually one is a take-profit order and the other is a stop-loss order, where the execution of either one automatically cancels the other. *Note: Please refer to Q11 in the Frequently Asked Questions for more details about the Stop-Loss Order.*
Order Duration	• Good till dayend: Order will be voided at end of the Trading Hours of the day. • Good till weekend: Order will be voided at end of the Trading Hours on the last business day of the week. • Good till year-end: Order will be voided at end of the Trading Hours on the last business day of the year.
Trading Hours	From 8:00 am HKT to 3:30 am HKT or 2:30 am HKT during US daylight saving period. When trading centers in Asia, Europe and the U.S. are all closed for holiday, the service will not be available.
Trade Date	The date on which the customer enters into a foreign exchange contract.
Value Date	The date agreed or specified to settle a contract.
Day Count Basis	• GBP – 365 days • Others – 360 days
Service Fees and Charges	Not applicable

<u>Information above is subject to change from time to time and may not be updated to reflect material developments which may occur after the distribution of this document. You are advised to refer to our branches and servicing channels for any update.</u>

Illustrative Examples:

Example 1a – Profit / Loss Calculation for FX Spot Contract

Realized Profit / Loss = Profit / Loss from the Contract + / - Total Interest Income / Expense

Customer has entered into a FX spot contract for a long position in GBP / USD for GBP250,000 at 1.2100 on 5 Aug 2019 with value date 7 Aug 2019 and he has then kept the position until closing-out the contract at 1.2180 on 9 Aug 2019 with value date 13 Aug 2019 (assuming that 10 and 11 of Aug 2019 are not business days)

Assuming the respective deposit rate and lending rate remain unchanged as below during the period:

- Deposit rate for GBP (buy currency): 0.3750% p.a.
- Lending rate for USD (sell currency): 2.8130% p.a.
- Number of days of interest count: 6 days (from 7 to 13 Aug 2019, last day exclusive)

Profit / Loss of the Contract

= GBP250,000 × (1.2180 – 1.2100) = USD2,000.00 [Profit]

Total Interest Income / Expense[(1)]

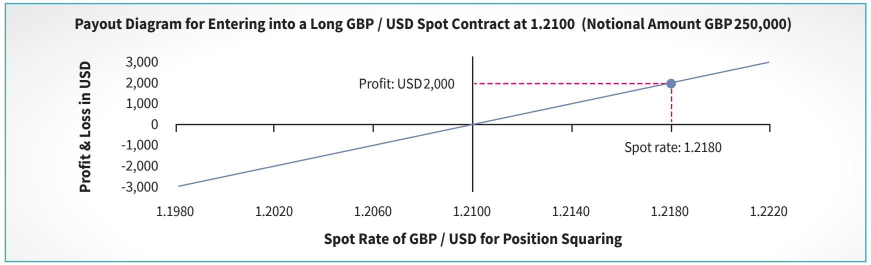
= Total Interest Income – Total Interest Expense
= [(GBP250,000 × 0.3750% x 6 days ÷ 365 days[(2)]) x 1.2100 - (GBP250,000 × 2.8130% x 6 days ÷ 360 days[(2)]) x 1.2100]
= (USD123.17) [Expense]

Realized Profit / Loss

= USD2,000.00 – USD123.17= USD1,876.83 [Profit]

Notes: 1. The interest is accrued on daily basis starting from the value date on entering into the contract to (but excluding) the value date of closing out the contract. For simplicity, it is assumed that the exchange rate remains unchanged during the period.
2. The day count basis for GBP is 365 while that for other currencies is 360.

Payout Diagram (without taking into account the interest expense or interest income generated from FXMT transaction)



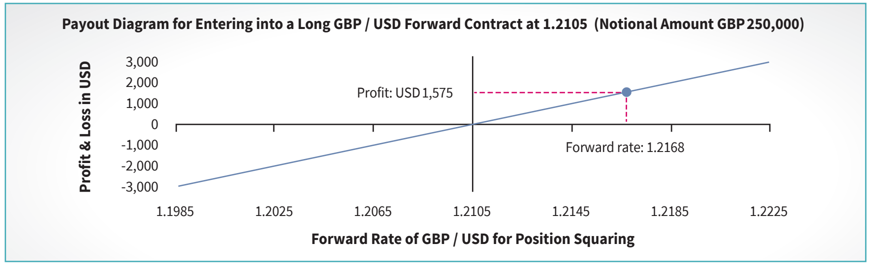
Example 1b - Profit / Loss Calculation for FX Forward Contract[(3)]

Realized Profit / Loss = Profit / Loss from the Contract[(4)]

Customer has entered into a FX forward contract for a long position in 1-month GBP / USD for GBP250,000 at the contract rate 1.2105[(4)] (i.e. equivalent to 1.2088 (spot rate) + [0.0017 (1-month swap point)]) on 5 Aug 2019 with value date 9 Sep 2019. He has kept the position until closing-out of the contract at 1.2168[(4)] (i.e. equivalent to 1.2160 (spot rate) + [0.0008 (2-week swap point)]) on 22 Aug 2019 with value date 9 Sep 2019.

Profit / Loss of the Contract = GBP250,000 × (1.2168 – 1.2105) = USD1,575.00 [Profit]

Payout Diagram



Notes: 3. FX Margin Trading in Forward Contract is not available to retail banking customers. For enquiry, please visit any of our branches or contact your dedicated relationship manager.
4. The contract rate of a FX forward contract is an all-in price with interest income / expense accounted for in form of swap point. The market value of a FX forward contract will be valued by comparing the corresponding forward price with same maturity date.

Example 2 – Available Margin Calculation

Available Margin = Equity – Initial Margin for outstanding position(s)

Equity = Margin Deposit held for a portfolio - Unrealized Mark-to-Market Loss of the portfolio + / - Accrued Interest Income / Expense of the contracts in the portfolio - Realized but Not Yet Valued Loss

Initial Margin for outstanding position(s) = Notional Amount of outstanding position(s) × 5%

Customer has placed a margin deposit of USD40,000 and entered into a short position in USD / JPY for USD250,000 at 106.50, which is the only outstanding contract in the customer's portfolio. Later, he would like to enter into a new contract to short USD / JPY for another USD350,000 when the prevailing market rate is at 111.50. Assuming that the deposit and lending rates for both currencies are the same and there is no accrued interest and unsettled loss, does he have enough margin to enter into the new contract?

Margin Deposit held for the portfolio = USD40,000

Unrealized Mark-to-Market Profit / Loss of the Portfolio = USD250,000 × (106.50 – 111.50) ÷ 111.50 = (USD11,210.76) [Loss] (there is only one outstanding contract in the portfolio)

Accrued Interest Income / Expense of the contracts in the portfolio = 0 (there is no interest accrual in the portfolio)

Realized but Not Yet Valued Loss = 0 (there is no pending settlement transaction in the portfolio)

Equity = USD40,000.00 – USD11,210.76 = USD28,789.24

Initial Margin for outstanding position(s) = USD250,000 × 5% = USD12,500

Available Margin = USD28,789.24 – USD12,500.00 = USD16,289.24

Initial Margin for the New Contract = USD350,000 × 5% = USD17,500

Since the Available Margin (USD16,289.24) is less than the Initial Margin for the New Contract (USD17,500), he is unable to enter into the new contract unless additional margin is placed.

Example 3 – Margin Status Calculation

The customer in Example 2 has decided not to enter into the new contract but would like to know at what exchange rate he will be required to provide additional margin and when his position will be forced close out.

	Call Margin Level	Cut Margin Level
Margin Level	4%	3%
Equity Amount	USD250,000 × 4% = USD10,000	USD250,000 × 3% = USD7,500
Floating Loss	USD40,000 - USD10,000= USD30,000	USD40,000 - USD7,500 = USD32,500
Corresponding Spot Rate	USD250,000 × 106.50 ÷ (USD250,000 - USD30,000) = 121.02 **Customer will be called on the Bank's best effort basis for additional margin if the USD / JPY rate rises above 121.02 level**	USD250,000 × 106.50 ÷ (USD250,000 - USD32,500) = 122.41 **Customer's position will be forced to close out if the USD / JPY rate rises above approximately 122.41 level**

Example 4 – Substantial Loss beyond the Margin Deposit

Given there is an ad hoc event which has a material adverse impact to the Japanese economy, USD / JPY jumps dramatically and the position in Example 2 is forced to close out at 128.00 which is the next executable rate.

Profit / Loss of the Contract = USD250,000 x (106.50 – 128.00) ÷ 128.00 = (USD41,992.19) [Loss]

As there is no interest income / expense involved in this case, the realized loss is USD41,992.19. Assuming the customer has only placed a margin deposit equivalent to the initial margin, that is, USD250,000 x 5% = USD12,500, and the position is the only position held, the customer will be suffering a loss in excess of the margin deposit.

In this case, the customer suffers a loss in excess of the margin deposit (i.e. USD41,992.19 - USD12,500.00 = USD29,492.19), he is required to bring in additional funds to cover the excess.

Frequently Asked-Questions

Q1 How is exchange rate quoted?

A: Exchange rate is the conversion rate of 1 unit of a currency (Base Currency) to a certain unit of another currency (Term Currency) and is quoted as Base Currency / Term Currency.

Q2 What are Direct Quote, Indirect Quote and Cross Rate?

A: Within the scope of FXMT, the exchange rate is a Direct Quote when the Base Currency is USD while it is an Indirect Quote when USD is the Term Currency; when the currency pair does not involve USD, it is a Cross Rate.

Direct Quote:	USD / CAD, USD / CHF, USD / CNH, USD / JPY
Indirect Quote:	AUD / USD, EUR / USD, GBP / USD, NZD / USD
Cross Rate:	EUR / GBP, EUR / AUD, EUR / NZD, EUR / CAD, EUR / CHF, EUR / JPY, GBP / AUD, GBP / NZD, GBP / CAD, GBP / CHF, GBP / JPY, AUD / NZD, AUD / CAD, AUD / CHF, AUD / JPY, NZD / CAD, NZD / CHF, NZD / JPY, CAD / CHF, CAD / JPY, CHF / JPY, EUR / CNH, GBP / CNH, AUD / CNH, NZD / CNH, CAD / CNH, CHF / CNH, JPY / CNH

Q3 If a customer enters into a new position to long GBP short USD contract at 1.2100 with contract amount of GBP250,000, what would be the minimum margin deposit required?

A: The minimum initial margin requirement is 5% of the contract amount (5% is the current setting and which is subject to change from time to time). As all margin requirements are calculated in USD, the minimum margin deposit required = GBP250,000 × 1.2100 × 5% = USD15,125.00.

Q4 How is the floating profit and loss calculated?

A: Without taking into account the interest expense incurred or interest income generated from FXMT transaction, the profit and loss of a foreign exchange contract is calculated by comparing the contract rate and the prevailing market rate.

Contract	Buy / Sell	Profit & Loss Formula	Illustrative Example
Direct Quote	Buy	Contract Amount × (Prevailing Market Rate - Contract Rate) ÷ Prevailing Market Rate	Contract: Buy USD1,000,000 against JPY at 104.50, Prevailing Market Rate of USD / JPY is 106.50 P&L = USD1,000,000 × (106.50 – 104.50) ÷ 106.50 = USD18,779.34 [Profit]
	Sell	Contract Amount × (Contract Rate - Prevailing Market Rate) ÷ Prevailing Market Rate	Contract: Sell USD300,000 against CAD at 1.3300, Prevailing Market Rate of USD / CAD is 1.3620 P&L = USD300,000 × (1.3300 – 1.3620) ÷ 1.3620 = (USD7,048.46) [Loss]
Indirect Quote	Buy	Contract Amount × (Prevailing Market Rate - Contract Rate)	Contract: Buy GBP500,000 against USD at 1.2250, Prevailing Market Rate of GBP / USD is 1.2095 P&L = GBP500,000 × (1.2095 – 1.2250) = (USD7,750.00) [Loss]
	Sell	Contract Amount × (Contract Rate - Prevailing Market Rate)	Contract: Sell AUD250,000 against USD at 0.7170, Prevailing Market Rate of AUD / USD is 0.6700 P&L = AUD250,000 × (0.7170 – 0.6700) = USD11,750.00 [Profit]
Cross Rate (Term Currency is Direct Quote)	Buy	Contract Amount × (Prevailing Market Rate - Contract Rate) ÷ Prevailing Market Rate of Term Currency against USD	Contract: Buy EUR200,000 against JPY at 119.80, Prevailing Market Rate of EUR / JPY is 117.75 and that of USD / JPY is 106.30 P&L = EUR200,000 × (117.75 – 119.80) ÷ 106.30 = (USD3,857.01) [Loss]
	Sell	Contract Amount × (Contract Rate - Prevailing Market Rate) ÷ Prevailing Market Rate of Term Currency against USD	Contract: Sell NZD600,000 against CHF at 0.6500, Prevailing Market Rate of NZD / CHF is 0.6280 and that of USD/CHF is 0.9750 P&L = NZD600,000 × (0.6500 – 0.6280) ÷ 0.9750 = USD13,538.46 [Profit]
Cross Rate (Term Currency is Indirect Quote)	Buy	Contract Amount × (Prevailing Market Rate - Contract Rate) × Prevailing Market Rate of Term Currency against USD	Contract: Buy AUD800,000 against NZD at 1.0655 , Prevailing Market Rate of AUD / NZD is 1.0545 and that of NZD / USD is 0.6400 P&L = AUD800,000 × (1.0545 – 1.0655) × 0.6400 = (USD5,632.00) [Loss]
	Sell	Contract Amount × (Contract Rate - Prevailing Market Rate) × Prevailing Market Rate of Term Currency against USD	Contract: Sell EUR 500,000 against GBP at 0.9250, Prevailing Market Rate of EUR / GBP is 0.9040 and that of GBP / USD is 1.2280 P&L = EUR500,000 × (0.9250 – 0.9040) × 1.2280 = USD12,894.00 [Profit]

Q5 What is the cost of holding an open position overnight?

A: Holding an open position overnight will incur interest expense or generate interest income depending on the interest rates of the two embedded currencies. Customers will receive interest on the currency bought and pay interest for the currency sold, which will be accrued on a daily basis. Settlement of accrued interest will be effected in USD on the second last business day of each month or on the Value Date of the close-out deal, whichever is earlier.

Q6 How can I obtain the latest deposit and lending interest rates which are applicable to the current holding?

A: Customers can contact our FX Margin Trading Hotline (Tel. 2598 0401) anytime for this enquiry. Customers should take note that, for interest calculation, the deposit interest rate is applicable to the currency they buy and the lending interest rate is applicable to the currency they sell. There are spreads between the deposit and the lending interest rates even for the same currency.

Q7 How is the current margin level calculated?

A: Margin level is calculated as **Equity ÷ Notional Amount of outstanding position(s) x 100%,** both are denominated in USD, where **Equity = Margin Deposit held for a portfolio – Unrealized Mark-To-Market Loss of the portfolio + / - Accrued Interest Income / Expense of the contracts in the portfolio – Realized but not yet Valued Loss.**

Q8 At what margin level can a customer enter into a new contract while holding some outstanding positions?

A: To enter into a new contract, the Available Margin should be sufficient to meet the initial margin requirement for the new contract, where **Available Margin = Equity – [Notional Amount of outstanding position(s) × Initial Margin** (currently set at 5%)**]**.

Q9 What would happen if the margin level drops below the Call Margin Level?

A: If the margin level drops below the Call Margin Level (currently set at 4% and which is subject to change from time to time), the customer will be contacted on the Bank's best effort basis, and reminded that the Bank will liquidate all his / her outstanding position(s) if additional margin is not placed and the margin level falls below the Cut Margin Level.

Q10 What would happen if a customer does not top up the margin if margin level drops below the Call Margin Level?

A: If a customer does not top up the margin and subsequently the margin level drops below the Cut Margin Level (currently set at 3% and which is subject to change from time to time), the Bank may close out all the outstanding position(s) without prior notice. Customers should check his / her own positions and margin requirement regularly. The customer will be liable for any resulting loss which may be in excess of the margin deposit when the market condition may make it difficult or impossible to execute the close-out order.

Q11 Can a customer place Stop-Loss Order and at what rates will the orders be executed?

A: Customers can place a Stop-Loss Order for the purpose of limiting the downside risk of an outstanding position. However, the execution rates cannot be guaranteed, as it depends on the next executable rate in the market. In a normal market situation, the execution rate is normally a few pips away from the order level. For example, if a customer has placed a Stop-Loss Order to buy AUD / USD at 0.6800 with the purpose to limit the loss of an outstanding short AUD / USD position, we will execute the order when AUD / USD is bid at or above 0.6800 and normally buy at the next market offer rate which would be 3 to 5 pips higher than the bid rate in a normal market. However, when the market volatility is high, the bid-offer spread will be much wider and the next executable rate may deviate significantly from the preset order rate. In such situation, the execution rate would be significantly worse than the preset order rate placed by the customer, and the loss may not be limited to the intended amount.

Q12 Can a customer hold a position indefinitely?

A: To avoid undue loss accumulation and unnecessary interest expenses, the Bank shall be entitled, but not obliged, to roll over all outstanding position(s) of foreign exchange contracts under the FXMT portfolio once a year on a specific day it determines or at such other intervals as the Bank deems appropriate. All the outstanding position(s) will be closed out and reopened under a new contract using the same prevailing market rate, and the position(s) in the same currency pair will be consolidated into a single open position in a new contract.

Q13 Would a deposit's protection status under the Deposit Protection Scheme in Hong Kong be changed if it is charged in favour of the Bank as margin collateral for the use of FX Margin Trading Account?

A: Secured deposits are qualified for protection under the Deposit Protection Scheme in Hong Kong from 1 January 2011 and therefore charged deposits maintained in the Foreign Exchange Margin Trading Settlement Account and other account(s) designated by the Bank as margin collateral by FX Margin Trading Account will not change the status of protection under the Deposit Protection Scheme in Hong Kong.

Q14 What is the order execution policy of the Bank under FXMT?

A: The Bank enters into principal transactions with clients under FXMT and executes trades over the counter or trades can be made via our own trading membership or our affiliate, connected parties or third party brokers. When the Bank enters into principal transactions (which are not back-to-back in nature) with clients, only in the circumstances where the Bank has assessed that the client is legitimately relying on the Bank to provide best execution and the Bank has concluded that best execution shall apply having regard to the following factors collectively: (i) whether the client initiates the transaction: if the client approaches the Bank and initiates a transaction, then it is less likely that the client is placing legitimate reliance on the Bank; (ii) whether it is a market convention for clients to "shop around": if it is the market convention or practice for the client to "shop around" by approaching different dealers or providers who may provide a quote for the particular product or asset class and the client has the ability and the ready access to "shop around" for that product or asset class, it is less likely that the client is placing legitimate reliance on the Bank; (iii) whether it is relatively transparent market: if the pricing information for the particular product or asset class is transparent and it is reasonable that the client would have ready access to such information, then it is less likely that the client is placing legitimate reliance on the Bank; and (iv) whether a disclosure is made to the client that no best execution is provided: if the disclosure to the clients clearly state that no best execution is provided by the Bank and the client understands and acknowledges the same, it is an indication that the client agrees that he / she is not placing any legitimate reliance on the Bank.

Where the Bank has determined that best execution applies to a particular transaction, the Bank will take steps to execute the transaction on the best available terms by taking into account a variety of best execution factors, which include: a) price; b) cost; c) speed of execution; d) likelihood of execution; e) speed of settlement; f) likelihood of settlement; g) size and nature of the order; and h) any other relevant factors. The aforementioned best execution factors are not listed in any particular order of priority and the Bank will determine the relative importance of the best execution factors on a case-by-case basis. Customers may instruct the Bank to take into consideration certain factors which customers may, from time to time consider to be of particular importance (e.g. executing at a particular price limit). Where customers provide the Bank with such specific instruction, the Bank, will take reasonable steps to execute the customers' orders in accordance with such instruction. Where such specific instruction conflict with, or otherwise prevent the Bank from taking the steps designed and implemented as described in the policy on best execution (the "Policy") to obtain the best available result for the execution of the order, best execution shall only apply to those aspects of the order not covered by the specific instructions. Where the Bank has complied with this paragraph in respect of executing orders with specific customer instruction, the Bank will be deemed to have taken all reasonable steps to provide the best outcome in such circumstances, and the Bank shall consider our duty of best execution to be satisfied.

Q15 Does the Policy subject to review?

A: In addition to regular reviews on an annual basis, the Bank will also carry out ad-hoc reviews of the Policy if we become aware of any material change of regulatory requirements or internal practice. Where necessary, customers will be updated (if any) accordingly. The Bank will carry out regular checks to review our quality of execution and to identify any issues that may affect our ability to secure the best possible outcomes for customers or whether we need to make changes to any of our execution arrangements.

Q16 What are the arrangement with affiliates, connected parties and third parties on order execution?

A: The Bank may engage affiliates, connected parties or third parties to execute customers' orders. In any case, the Bank will carry out appropriate due diligence and also adopt systematic process to continuously monitor execution outcomes of our affiliates, connected parties or third party brokers. Under all circumstances, soft dollars, rebates and other inducement arrangements, if any, will be disclosed to customers in accordance with applicable regulatory requirements.

Risks Disclosure

THE FOLLOWING IS AN IMPORTANT NOTICE TO CUSTOMER FROM THE BANK AND THE CUSTOMER IS ADVISED TO READ THIS CAREFULLY:

The risk of loss in trading in foreign exchange without full payment either on spot or forward contracts can be substantial. You, the customer, should therefore carefully consider whether such trading is suitable for you in the light of your financial position and investment objectives. In considering whether to trade, you should be aware of the following:

1. **Risk of Trading in Leveraged Foreign Exchange Contracts** - The risk of loss in leveraged foreign exchange trading can be substantial. You may sustain losses in excess of your initial margin funds. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit losses to the intended amounts. Market conditions may make it impossible to execute such orders. You may be called upon at short notice to deposit additional margin funds. If the required funds are not provided within the prescribed time, your position may be liquidated. You will remain liable for any resulting deficit in your account. You should therefore carefully consider whether such trading is suitable in light of your own financial position and investment objectives.
2. **Risk of Margin Trading** - The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You should therefore carefully consider whether such a financing arrangement is suitable in light of your own financial position and investment objectives.
3. **Risk Associated with the Foreign Exchange Market** - The prices of foreign exchange are volatile. You should recognize that the prices of foreign exchange as well as the value of your investment may go down as well as up. Losses may be incurred rather than profit made as a result of entering into any FXMT contract.
4. **Liquidity Risk** - Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example, when the price moves over the permissible range as stipulated by an exchange. In these circumstances, your loss will not be limited to your margin and may be a substantial amount in addition.
5. **Risk Related to Forward Contract** - A position involving purchase of one delivery month against sale of another delivery month may not be less risky than an outright purchase or sale.
6. **Leverage Risk** - The high degree of leverage which is often obtained in foreign exchange margin trading with the small margin requirements can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
7. **Foreign Exchange Risk** - Foreign exchange rates are highly volatile and are influenced by, among other things, changing supply-demand relationships; trade, fiscal, monetary, political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. All trades under our FXMT are settled in USD. If your trade is denominated in a currency other than USD, you will also be exposed to fluctuations in the prevailing exchange rate between such currency and USD when your trade is settled, or when your outstanding positions are closed. Where the settlement currency is not your home currency, you will be subject to further risk concerning the exchange rate fluctuation between the settlement currency and your home currency.
8. **Exchange Control** - For currencies subject to exchange controls imposed by the relevant governments, such as Renminbi (RMB), the exchange rates may be easily affected by change in government policies. Such currencies may have different exchange rates quoted in different markets. For example, the onshore rate of RMB is being referred as "CNY" and the offshore rate (i.e. when traded in Hong Kong) is being referred as "CNH". Although CNY and CNH represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction.
9. **Interest Rate Risk** - You are exposed to the interest rate risk of the underlying currencies when entering into a foreign exchange contract. Both spot and forward rates will be affected by the interest rate movements, or anticipations over such movements. In addition, if your transactions are held overnight, you may be subject to an interest expense.
10. **Credit Risk** - You are subject to the creditworthiness of the Bank in relation to the foreign exchange contracts. If the Bank becomes insolvent or goes into liquidation or defaults on its obligations under the foreign exchange contracts while it is / they are still outstanding, you will rank as unsecured creditors of the Bank and could, in the worst case, lose all your margin funds irrespective of the performance of the foreign exchange contracts and the terms of the Foreign Exchange Margin Trading Agreement you entered into with the Bank.
11. **Risks Related to Market Disruption Events** - The Bank is not liable for any failure or delay to meet its obligations due to any causes beyond its control which shall include local or international happenings such as Government act, flood, fire, civil commotion, strike, war or any other causes beyond the reasonable control of the Bank, mechanical failure, power failure, malfunction, breakdown, interruption or inadequacy of equipment or installation or other cause which results or is likely to result in the erratic behavior of foreign exchange prices, the closure of the markets or any other cause affecting the operation of the foreign exchange contracts and / or the FXMT account.
12. **Conflict of Interest** - Potential conflicts of interest may arise from the different roles played by the Bank, its subsidiaries and / or its affiliates in connection with the Foreign Exchange Margin Trading. The Bank and / or its subsidiaries and / or its affiliates may enter into, adjust or unwind transactions relating to the relevant currencies, whether for its or its subsidiaries' or its affiliates' proprietary accounts or for account under management or to facilitate transactions on behalf of investors or otherwise. In carrying out these roles, the Bank's economic interests and those of its subsidiaries and / or its affiliates are potentially adverse to the investors' interests in the Foreign Exchange Margin Trading.
13. **Risks Related to the Market Information** - Commentaries, financial information and data are, unless the context requires otherwise, for reference only and are not intended as investment advice or for trading or other purposes. Information or other communication, including market research and commentary, may be provided by the Bank or other persons or compiled by the Bank from information and materials provided by other persons. The Bank cannot guarantee the accuracy, truth, reliability, adequacy, timeliness or completeness of any commentaries, financial information or data.
14. **Off-exchange Transactions** - In some jurisdictions, and only then in restricted circumstances, firms are permitted to effect off-exchange transactions. The firm with which you deal may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. There is no centralized pricing source and the price of the FXMT transaction is determined by the firm or negotiated with the client. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarize yourself with applicable rules and attendant risks.

This brief statement cannot, of course, disclose all the risks and other aspects of trading in foreign exchange. You should accordingly obtain independent expert financial and legal advice before entering into the Foreign Exchange Margin Trading Agreement and you should carefully study the market before trading and obtain independent advice again.

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