

# Hang Seng Global Markets Hong Kong Best Execution Client Disclosure Statement (Jun 2020)

## 1. INTRODUCTION

Hang Seng Bank Limited (Hang Seng) is a member of the HSBC Group, the ultimate holding company of which is HSBC Holdings plc. Global Banking and Markets is a business line of the HSBC Group and provides financial solutions to government, corporate and institutional clients worldwide. **Global Markets (GM)** is the financial markets sales and trading division within Global Banking and Markets. It includes our Equities, Foreign Exchange and Commodities, and Fixed Income businesses (**Asset Classes**).

This GM Hong Kong Best Execution Client Disclosure Statement (**Statement**) provides information on Hang Seng GM's Best Execution Policy. If you have any questions about this Statement or Hang Seng GM's Best Execution Policy, please contact your Hang Seng representative.

Hang Seng is registered by the Securities and Futures Commission of Hong Kong (**SFC**) for Type 1 (dealing in securities), Type 4 (advising on securities), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities. Hang Seng has a general duty to act in accordance with the best interests of those of our clients when providing those services. Hang Seng is also an authorised institution under the Hong Kong Monetary Authority Banking Ordinance, section 16(1).

This Statement is addressed to those clients of Hang Seng who deal directly with Hang Seng GM. References below to **Hang Seng** and **we**, and to **clients** and **you**, should be understood accordingly.

### 1.1. Our Commitment

Irrespective of the scope of best execution, we are committed to being efficient, transparent and client focused in our sales to and servicing of clients and are open to discussing your precise execution requirements to see how we can accommodate them.

### 1.2. Further Information

This Statement should be read in conjunction with the GM Terms of Dealing for each Asset Class. These provide further information about the key aspects of the relationship between Hang Seng GM and our clients when dealing with GM in GM products and our handling of client orders and requests.

The GM Terms of Dealing are available on the [Hang Seng Global Markets website](#).

## 2. SCOPE

Hang Seng GM's Best Execution Policy applies to the provision of execution services where Hang Seng GM executes orders and where Hang Seng GM is acting on behalf of the clients who are reliant on Hang Seng GM to protect their interests in the execution of those orders.

### 2.1. Executing an order

An order is an instruction (to buy or sell one or more financial instruments) from the client to Hang Seng GM that is accepted by Hang Seng GM and execution is the performance by Hang Seng GM of that instruction, even where (in doing so) Hang Seng GM is dealing on our own account with the client.

### 2.2. Overarching Principle

Hang Seng GM provides execution services in a manner consistent with the "Overarching Principle" to take all sufficient steps to obtain the best possible result for our clients, taking into account the Execution Factors, on a consistent basis.

This Overarching Principle does not mean that Hang Seng GM must obtain the best possible result for clients on every single occasion. Rather, it requires:

- verification on an on-going basis that our execution arrangements are effective throughout the different stages of the order execution process
- detection of potential deficiencies
- application of all appropriate remedial actions to such deficiencies

As a result of the diversity of markets in which we operate and of the transactions clients carry out, the steps we take to apply the Overarching Principle may vary. In particular, these steps may vary significantly depending on whether (for example) Hang Seng GM executes with the client a customised derivative transaction, compared with a situation where Hang Seng GM executes for the client a share purchase order on a regulated market. In certain circumstances, the steps available for us to take are limited. For example, there may only be a single available execution venue.

The application of the Overarching Principle involves the exercise of commercial judgement in the context of available market information. It is neither a guarantee that the best price will be obtained nor a guarantee that the transaction will be executed in full.

### 3. DETERMINING CLIENTS' RELIANCE

Hang Seng GM has taken steps to identify where clients rely on us to protect their interests with regards to order execution in line with guidance from the SFC and HKMA.

Where clients undertake transactions with us in an agency capacity, we consider them reliant on Hang Seng GM to protect their interests with regards to those orders.

In all other cases, we determine such reliance on Hang Seng GM based on holistic consideration of elements related to pricing access, the relevant market and its practices and other relevant facts and circumstances, including:

- Where a client initiates a transaction  
As this is an indicator that the client is not placing reliance on Hang Seng GM.
- Where the market practice is for clients to “shop around” in order to find the best quote from various market sources  
As in this situation, it is less likely that the client is placing reliance on any one particular quoting firm.
- Where a market is transparent and it is likely that clients have access to other such prices  
As in this scenario, clients have the ability to deal with other firms and are not required to deal with Hang Seng GM.

A combination of the above considerations is used to determine where clients are reliant on Hang Seng GM to protect their interests with regards to their orders. In the absence of such reliance, Hang Seng GM does not act on the client's behalf in respect of the activity concerned. As such - best execution is not applicable for any resulting transaction.

In the normal course of business, we do not act on behalf of clients when the service is the execution of transactions with the client following a request for quote (RFQ) or in the course of similar quote-driven activity. In these circumstances, clients do not place reliance on individual quoting firms.

If clients are reliant and best execution is applicable, we seek to apply the Overarching Principle in a manner that takes into account the particular circumstances associated with the execution of the transaction concerned.

### 4. EXECUTION FACTORS

In applying the Overarching Principle, Hang Seng GM takes into account the following **Execution Factors** (not listed in any particular order of priority):

- price
- costs payable by client as a result of the execution
- speed of execution and settlement
- likelihood of execution and settlement
- size of the transaction
- nature of the transaction
- any other consideration that is relevant to execution

In the normal course of business, price merits a high relative importance – unless the client has indicated otherwise. In considering price, we also consider the steps that we may reasonably take to minimise the market impact of execution.

The application of the Overarching Principle is subject to prevailing market conditions and our understanding of the client's preferences. Therefore, there may be circumstances in which we conclude that other factors are as important, or more important, than price.

#### **4.1. Execution criteria**

In assessing the relative importance of the Execution Factors for a specific scenario, Hang Seng GM takes into account the market information available to us and characteristics of:

- the client (including whether the client is reliant on Hang Seng GM with regards to order execution)
- the client order
- the financial instruments that are the subject of that order
- the execution venues to which that order can be directed

We consider these together with any specific instructions provided by the client and such other criteria as we consider relevant to the application of the Overarching Principle.

**Outcomes for clients may vary depending on our prioritisation of these Execution Factors in applying the Overarching Principle.**

#### **4.2. Specific instructions**

We encourage clients to be as precise as practicable as to their execution requirements, including clarity as to what discretion we retain in the provision of execution services. If we accept an instruction, Hang Seng GM aims to satisfy best execution to the extent that we execute the order, or the specific aspect of the order, following the instruction.

**Specific instructions may prevent Hang Seng GM from applying the Overarching Principle to the elements covered by those instructions – and potentially obtaining the best possible execution result for those elements.** We will apply the Overarching Principle to any aspects of the order that are not covered by the specific instruction.

For certain order types, the client gives specific instructions on price which thereby limits Hang Seng GM's discretion. This may include those orders commonly referred to as 'fixed price' and 'benchmark'. In the case of those market and resting orders where Hang Seng GM has discretion, the Overarching Principle applies to the exercise of that discretion.

## **5. EXECUTION VENUES**

In the normal course of business, a Foreign Exchange, Commodities, Fixed Income or Equities Derivatives transaction is an over the counter transaction that Hang Seng GM enters into with the client acting as principal and for our own account. This means that Hang Seng GM is the execution venue for the transaction concerned. This also means that the prices we provide are Hang Seng GM prices and we do not make order routing decisions on the client's behalf.

When new execution venues are introduced, we may monitor their performance and connect only if their addition will enhance our best execution performance.

Hang Seng GM's Best Execution Policy requires us not to discriminate unfairly between execution venues when providing execution services.

Hang Seng GM will regularly assess the available execution venues for the purposes of implementing Hang Seng GM's Best Execution Policy. In doing this we may take into account (in respect of the venue concerned) these factors:

- quality of liquidity available for the financial instrument concerned
- quality of execution (including, price, cost and speed)
- quality of the operator of the execution venue
- quality of the execution venue (including reliability, continuity of trading and creditworthiness)
- quality of any related clearing and settlement facilities

We take the above together with such other factors as may be relevant to the application of the Overarching Principle.

## **6. AFFILIATES, THIRD PARTIES AND CONNECTED PARTIES**

If we have an affiliate, third party or connected party in the place in which the financial instruments concerned are traded, we may transmit the order to them for execution. This third party may be an entity that is a member of the HSBC Group. Where best execution is applicable, we seek to apply the Overarching Principle when transmitting client orders to affiliates, third parties or connected parties for execution.

In some instances, we make **exclusive** use of such affiliates, third parties and/or connected parties. We consider that this use to be in the interest of clients because (amongst other things) certainty of execution is increased and communication is enhanced.

## **7. MONITORING**

Hang Seng GM monitors the arrangements described in this Statement. In the case of transmission of client orders, this includes monitoring affiliates, connected parties and other third parties involved in execution where best execution is applicable.

## **8. AMENDMENTS**

Hang Seng may amend Hang Seng GM's Best Execution Policy and this Statement from time to time. When we make a material change, we publish an updated version.

The prevailing version is available on <https://www.hangseng.com/en-hk/investment/global-markets/>