Foreign-exchange and precious-metal trading policy

I. Introduction

1. This document:
   a) clarifies the nature of the relationship between Banque Cantonale Vaudoise ("BCV"), its clients ("Clients") and other market participants ("Participants") with regard to over-the-counter (OTC) transactions involving foreign exchange and precious metals.
   b) provides additional information that is not contained in the other documents and agreements relating to the services that BCV offers its Clients or to BCV's relationship with the Participants. These documents and agreements include BCV's General Conditions, BCV's Best Execution Policy, the SwissBanking brochure "Risks Involved in Trading Financial Instruments," Information on BCV's policy for managing conflicts of interest, the ISDA Master Agreement, the Swiss Master Agreement for OTC Derivative Instruments, and the Outline mandate on over-the-counter (OTC) currency and precious metal transactions.
2. BCV:
   a) has signed the Statement of Commitment to the FX Global Code.
   b) recognizes that the FX Global Code is a set of global principles of good practice in the foreign exchange market.
   c) has taken appropriate measures to ensure that its currency trading activities comply with the FX Global Code.

II. BCV's role

1. BCV participates in the foreign-exchange and precious-metal markets as:
   a) a principal:
      - it engages in trading for its own account under normal market conditions.
   b) a riskless principal:
      - it executes orders that involve several transactions with other principals.
2. As a principal, BCV quotes prices, accepts orders, executes trades and carries out other related activities for its own account under normal market conditions (see BCV's Best Execution Policy: https://www.bcv.ch/en/Legal-information/Trading-floor-and-securities-accounts).
3. BCV covers a wide range of instruments and products (e.g., spot, forward, and derivative transactions).
4. When executing foreign-currency or precious-metal transactions, BCV does not act on the Client's behalf as an agent, fiduciary, or financial advisor or in any similar capacity.

III. Market making and executing limit orders

1. Market making

When BCV:

   a) executes a foreign-exchange transaction as a principal, the ask price is "all in". That means that it takes into account such factors as the currency, the size of the order, and market conditions (such as liquidity and volatility). Prices include a sales margin (markup or markdown) that may vary depending on the type of client and instrument involved and that encompasses all transaction-related costs and commissions.
   b) acts as a riskless principal, the ask prices factor in the price at which BCV simultaneously executed an identical transaction with another Participant and the sales margin applicable to each Client.

2. Executing limit orders
   a) BCV generally executes limit orders automatically through its online trading platforms in accordance with the rules applicable to each platform. However, limit orders may also be executed manually (owing to the size of the transaction, the currency pair, or order duration, for example).

      BCV only executes orders manually if it deems that this will improve the quality of order execution. By default, limit orders are executed at the market price plus the sales margin.
   b) BCV executes trades with various Clients and Participants, who may have competing interests, and it also trades for its own risk-management purposes; as a result, foreign-exchange transactions may be executed at or close to a given limit price, barrier or trigger.

      These activities may affect the price of foreign-exchange spot transactions and may trigger certain conditions relating to open transactions, such as limit orders, option strike prices and barriers.

      BCV takes all reasonable measures to achieve the best possible order execution for its Clients.

      As a principal, BCV accepts limit orders from its Clients including, but not limited to, stop-loss and take-profit orders. BCV reserves the right to accept or refuse any other type of order.

      Specific execution requirements must be agreed upon with BCV in writing or via another recorded means of communication (e.g. telephone, email, or instant messaging system) before orders are placed and executed.

      Unless otherwise agreed, BCV assumes that the Client authorizes partial order execution.

3. Verifications

Before setting a price or executing an order, BCV may carry out various checks that could result in the execution request being rejected. BCV may verify, among other things, credit risk, delivery risk, market risk, trade frequency, and pricing consistency.

When BCV receives orders through an electronic platform, it may check pricing consistency. This is referred to as last look, and it is designed to limit the risk that BCV assumes with regard to available limits, market disruptions, timing latencies and technical problems. BCV never uses this information to conduct own-account trading at the same time.

Order execution and risk management may be further complicated when order prices are set in reference to an exchange rate. BCV may refuse to accept such fixing orders.

4. Risk management
   a) BCV may carry out risk-management and market-making activities for its own account in anticipation of Client orders or while executing them.
   b) BCV may pre-hedge a Client's order if it believes this to be in the Client's interest or to reduce the market impact of the order. In such cases, BCV

takes into account prevailing market conditions and the size and nature of the order.

IV. Confidentiality

1. BCV is committed to protecting Client-related information and data and has implemented procedures and checks that are commensurate with its business activity.
2. However, BCV may be required to disclose confidential information in order to meet its legal and/or regulatory requirements or in response to a request from a Participant, a custodian bank, an executing or clearing broker, a legal authority or a financial-market oversight authority.

V. Glossary

Principal

BCV serves as the principal in transactions executed for Clients and then decides, at its discretion, whether to execute a non-simultaneous transaction in the market for its own account.

Riskless principal

When BCV executes a transaction for a Client, it simultaneously executes an identical transaction with another Participant in order to hedge the market risk created by the Client's transaction (cover and deal arrangement under the FX Global Code).

Last look

When a principal or Participant receives an order, it may check the order one last time against its price before deciding whether to execute it, such as to verify credit and settlement limits.

OTC

Some orders are traded over the counter rather than on stock markets or other organized markets.

Participant

An entity that is active in the foreign-exchange or precious-metal market, such as a bank that quotes prices and provides liquidity.

Stop loss

Stop-loss orders reduce the risk of loss-inducing price fluctuations. Stop-loss buy orders are placed above the spot exchange rate, while stop-loss sell orders are placed below the spot rate. A stop-loss order is executed when the market price reaches the stop-loss price. When a market is highly volatile or illiquid, slippage can occur; BCV therefore cannot guarantee that the execution price will be at or close to the stop-loss price (the risk of slippage can be significant, as it was on 15 January 2015, when the SNB removed the EUR/CHF currency floor at 1.2000).

Take-profit limit order

A take-profit limit order is a conditional order that closes a position automatically when a specific price is reached.