The Bank of New York Mellon

FX Last Look Disclosure

Introduction

This Last Look disclosure reflects the principles and guidelines of the FX Global Code of Conduct (the "Code") and sets out the approach of The Bank of New York Mellon [and The Bank of New York Mellon SA/NV] (each, "BNY Mellon") to the practice known as "Last Look" in the electronic FX market.

As defined in the Code, Last Look is a practice used in electronic trading activities whereby a Market Participant (as defined in the Code) receiving a trade request has a final opportunity to accept or reject a trade request against its quoted price; it should be used as a risk control mechanism in order to verify validity and/or price. Principle 17 of the Code provides that Market Participants employing Last Look should be transparent regarding its use and provide appropriate disclosures to its Clients.

The validity check should be intended to confirm that the transaction details contained in the request to trade are appropriate from an operational perspective and there is sufficient available credit to enter into the transaction contemplated by the trade request. In respect of the price check, it should be intended to confirm whether the price at which the trade request was made remains consistent with the current price that would be available to the Client.

Application

All FX trade requests submitted through any electronic trading platform or third-party platform to BNY Mellon's automated trading system will be subject to Last Look. For clarity, if such trade requests are routed outside the automated trading system for manual acceptance, Sales and Trading staff have the responsibility to verify all below mentioned controls are valid prior to accepting or rejected the request. However, this Last Look disclosure applies solely to trade requests that are to be accepted or rejected automatically by such system.

Any prices communicated electronically by BNY Mellon, unless otherwise specifically stated, will only be an indication of our willingness to trade at that price and does not constitute an offer to deal or trade. Any electronic request by a Client to trade, either on an indicative price or otherwise, will constitute an offer to deal at that price. When a Client submits such an electronic request to deal at a certain price and quantity, trade acceptance by BNY Mellon may be subject to a number of pre-trade risk management controls.

These pre-trade risk management controls, which may delay the trade acceptance or rejection of your request to deal, are typically referred to together as "Last Look". Last Look can primarily be categorised as a control that includes, but is not limited to, operational risk controls and credit controls (together, constituting the validity checks), and market risk controls (where BNYM performs the price check).

Operational risk controls: we establish that the trade request is appropriate from an operational perspective, for example, that the Client is enabled and correctly permissioned for what they are requesting, that there are no systemic issues, and that there are no regulatory restrictions.

Credit risk controls: we establish that the Client has a credit line available for that trade.

Market risk controls: we measure the requested trade price against the current price (at the time the check is performed) that would be available to the Client. This measure, also known as *Price Check*, is then checked against a Client-specific tolerance level.

Last Look Window

The period during which all the Last Look controls are implemented is referred to as the "Last Look Window". During the Last Look Window, BNY Mellon will run the controls described above, and at its expiry, will be in a position to make a decision regarding whether to accept or reject the request.

BNY Mellon utilises this time period solely to implement the various Last Look controls. The time required to process the validity checks is systematic and not Client specific. BNY Mellon intends to complete the Last Look process as fast as possible, typically within no more than fifteen (15) milliseconds following the receipt of the client's order into BNY Mellon's order handling systems. The actual time it takes will depend on the complexity of the underlying product traded or the complexity of the order itself and, on occasion, may be longer than this due to factors beyond our control, such as system, hardware or network issues. No additional holding time will be applied to any Client trades as part of the Last Look Window.

Reasons for implementing Last Look

BNY Mellon's Last Look risk management control allows us to maintain the quality of our bid-offer spreads and depth of liquidity we offer.

The operational and credit controls are implemented to protect against invalid transactions, and can limit unwanted credit and market exposure arising from unintended over-sized transactions.

The market risk controls provide many risk mitigants. For both ~~us~~ BNY Mellon and the Client, they are a measure:

- protecting against the risk of trading on stale prices caused by latencies in the electronic trading infrastructure and the global FX market ecosystem; and
- reducing the risks presented by market conditions becoming disorderly/discontinuous.

They also help protect BNY Mellon against certain latency-based trading behaviours (for instance: aggregation of liquidity from different providers, order splitting). Without these controls, BNY Mellon and the customer would be exposed to further risk which would also result in wider spreads and lower liquidity.

Factors affecting the Price Check tolerance

The Client-specific price tolerance level mentioned above is predicated on a number of factors, including amongst others: currency pair traded, platform traded on, liquidity, prevailing market prices, and our trading experience with the Client. Being Client-specific it may give rise to differences in pricing and acceptance rates between clients. Also, BNY Mellon reasonably retains discretion to modify these tolerances during periods of increased market volatility, and if it detects changes in trading activity.

Symmetry of application

We measure the difference between the price at which the Client has requested to deal and the then-current price at which BNY Mellon is willing to trade. If that difference falls within the previously described Client-specific tolerance level, and if the operational and credit controls have passed, the request to deal will be accepted by BNY Mellon, otherwise it will be rejected. This price check is applied equally when the market moves against or in favour of BNY Mellon.

Trading Activity during Last Look Window

Confidential Information arises at the point BNYM receives a trade request at the start of the Last Look Window. For transactions to which this disclosure applies (see above under Application), BNY Mellon does not undertake any pricing or trading activity that utilises such confidential information during the Last Look Window. Furthermore, if a request is rejected, whether as a result of Last Look or otherwise, no information associated with the request is used to influence any pricing or hedging activity subsequently undertaken by BNY Mellon. It is also important to stress that BNY Mellon will not provide an indicative price for the sole purpose of collating market information, with no intention to accept the request to deal.

BNY Mellon as a principal market maker is managing positions within a portfolio formed of many counterparties with competing interests, as well as BNY Mellon's own interest. BNY Mellon may transact prior to or during the Last Look Window (see description above under "Last Look Window") without regard to the original Client's trade request. These activities can impact the prices offered to Clients and the liquidity available at those levels thus potentially affecting BNY Mellon's ability to accept the original Client's request after the Last Look Window. In addition, it may not always be clear that these trading activities are completely independent of a Client's request, even when that is the case.

Further information

Although we cannot share specifics of our Last Look process, in the interests of being transparent we can provide information around a Client's Last Look Window upon request.