

Information on Trading in Foreign Exchange and Precious Metals

May 2022

The purpose of this information is to clarify the nature of the trading relationship between Zürcher Kantonalbank, its clients and other market participants («**counterparties**»), and to disclose the practices Zürcher Kantonalbank applies when acting as a dealer, on a principal basis, and market maker in the wholesale foreign exchange («**FX**») or wholesale precious metals («**PM**») markets.

Zürcher Kantonalbank aspires to conduct business with transparency and integrity, and to implement the guidelines and requirements of industry groups and regulatory bodies (e.g. «Foreign Exchange Global Code» and «Global Precious Metals Code») in all its relationships with counterparties. However, Zürcher Kantonalbank draws attention to the fact that in certain cases, it may have divergent or conflicting interests with its counterparties, due to the nature of the business.

1 Principal trading on the FX and PM market

In acting as a principal on the FX and PM Market, Zürcher Kantonalbank quotes prices, accepts orders and executes trades, representing an arm's length party to transactions. This implies that Zürcher Kantonalbank does not make any recommendations or act as agent, fiduciary or financial advisor or in any similar capacity on behalf of its counterparties when engaging in FX/PM transactions, and has none of the obligations that entities acting in such a capacity ordinarily have, unless otherwise explicitly agreed upon between Zürcher Kantonalbank and its counterparty.

2 Market making

As a market maker, Zürcher Kantonalbank continuously offers two-way prices in a variety of currencies. Acting on a principal basis, Zürcher Kantonalbank may trade prior to or alongside a counterparty's transaction to execute

transactions for itself, with the aim of facilitating execution with other counterparties, managing risk, sourcing liquidity or for other reasons. Such activities may impact the prices Zürcher Kantonalbank shows to a counterparty for a transaction and the availability of liquidity at levels necessary to execute counterparty orders. They can also trigger stop loss orders, barriers, knock-outs, knock-ins and similar events. In conducting these activities, Zürcher Kantonalbank endeavours to employ reasonably designed means to avoid undue market impact.

While receiving requests for quotations and multiple orders for conceivably the same currency pair, Zürcher Kantonalbank seeks to satisfy the needs of all its counterparties, as well as its independent risk management objectives. However, it retains to the right to decide over the manner it serves its counterparties, including order execution, aggregation, priority and pricing. Zürcher Kantonalbank is not required to disclose to a counterparty attempting to leave an order that it is handling other counterparties' orders or its own orders ahead of, at the same time as, or on an aggregated basis with said counterparty's order. Zürcher Kantonalbank is under no obligation to disclose to a counterparty why it is unable to execute the counterparty's order in whole or in part.

3 Pricing

Unless otherwise agreed upon, any firm or indicative price quoted by Zürcher Kantonalbank is an "all-in" price, inclusive of any mark-up over the price at which Zürcher Kantonalbank may be able to transact, or has transacted with other counterparties. Zürcher Kantonalbank trading and sales personnel are not obligated to disclose what Zürcher Kantonalbank expects to earn from a transaction,

nor are they required to unveil the components of the quoted all-in price.

The fact that a counterparty's order has been executed at a specific price does not imply that Zürcher Kantonalbank held or would acquire inventory at the same price level or that a tradable market at that level exists. As principal, Zürcher Kantonalbank always attempts to execute an order and if possible to make an appropriate return on the transaction where possible, discretionarily taking into account its own position and inventory strategy, overall risk management strategies, costs, risks, as well as other business factors and objectives.

Zürcher Kantonalbank has discretion to offer different prices to different counterparties for the same or substantially similar services.

4 Electronic trading

Zürcher Kantonalbank operates within a consistent framework commonly referred to as «Last look» when executing electronic trade requests in response to its indicative pricing. It reserves the right to accept or reject trades by applying a number of pre-trade controls that may result in a trade rejection. Those controls include, but are not limited to, credit and settlement risk limits, market risk limits, trade frequency and pricing consistency checks.

The «Last Look» control mechanism is also used on electronic platforms to provide risk mitigation for timing latencies, technology issues, market disruptions and certain trading behaviours. Given these checks succeed, it will make a comparison between the last refreshed price and the trade request price, and will reject the trade if the price difference is above a price tolerance threshold. Zürcher Kantonalbank uses the same threshold whether the price difference is in favor of Zürcher Kantonalbank or against it («symmetrical last look»). In the context of the «Last Look», no additional «Holding Time» is applied on top of the time required for the various controls.

Zürcher Kantonalbank does not engage in electronic trading in the so-called «Cover-and-Deal»-method, in which client trades are only confirmed after a successful hedge has taken place.

5 Risk management

As part of the process to manage the risk of one or several expected client orders or transactions, Zürcher Kantonalbank may carry out hedging activities before executing a client order or transaction (sometimes

referred to as «pre-hedging»). Whether and to what extent such hedging activities are conducted is decided based on the assessment of prevailing market conditions (especially market liquidity and volatility), as well as the size and nature of the anticipated client trade. The hedging activities aim at reducing the uncertainty about actual liquidity in the market in order to provide a more advantageous price to the client. However, it is not guaranteed that this outcome can be achieved. No pre-hedging takes place in the case of automated execution of electronic transactions.

Failure on counterparties' part to object to Zürcher Kantonalbank acting as outlined above will be deemed as consent.

6 Execution of limit orders

As a principal, Zürcher Kantonalbank accepts orders from its counterparties, including, but not limited to, stop loss orders, take profits and fixing orders. Generally, limit orders will be monitored in Zürcher Kantonalbank's Zurich office from Monday 5am Sydney time until Friday 5pm New York time. Marketwise recognised banking holidays remain reserved.

Specific execution requirements should be agreed upon with Zürcher Kantonalbank in written form prior to the placement and execution of an order. Where no execution instruction has been stipulated, and within the realms of its obligation to execute counterparty orders fairly, Zürcher Kantonalbank will decide discretionarily whether to work on an order, which orders to execute, as well as when and how to execute them. There can be no assurance that Zürcher Kantonalbank will be able to fill the order at the exact level stated in the order. However, Zürcher Kantonalbank will make reasonable effort to execute the order with the best possible outcome. This implies that orders may be executed close to a stop loss order trigger level, and that those transactions may impact the reference price and thus result in the stop loss order being triggered. When not explicitly excluded, the practice of executing orders in parts if there is not enough liquidity in the market to execute an order in full amount at a specific price, so-called «partial fills», may be used.

Failure on counterparties' part to object to Zürcher Kantonalbank acting as outlined above will be deemed as consent.

Reference prices including highs and lows published by Zürcher Kantonalbank are not binding with regards to the execution of limit orders.

For certain order types, the addition of execution costs and/or sales margin by Zürcher Kantonalbank may impact the price at which the order is executed in the market and whether it is executed or not.

7 Information handling

Zürcher Kantonalbank takes protection of counterparty information very seriously and has policies, procedures and controls in place designed to protect counterparties' confidential information.

Zürcher Kantonalbank will only disclose counterparties' confidential information externally under specific circumstances, including:

- to agents, market intermediaries (such as brokers or trading platforms) or other market participants to the extent necessary for executing, processing, clearing, novating, or settling a transaction;
- with the consent of, or at the request of, the counterparty;
- where it is legally solicited to disclose the information under relevant law or regulations, or otherwise requested by a relevant regulatory or public authority, trade repository or central counterparty; and
- at the request of a Central Bank according to applicable law.

Zürcher Kantonalbank may analyse, comment on, and disclose appropriately anonymised and aggregated information regarding trade requests, orders or executed transactions internally and to third parties.

This letter is available at www.zkb.ch. It may be updated from time to time in order to address changing regulatory, industry and other developments.