

City National Bank Foreign Exchange Sales and Trading Practices

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Overview

City National Bank (CNB) has a long-held reputation for serving its clients well based on trust, client service, and excellence, and is dedicated to the highest standards of integrity. We value our relationship with our clients and recognize that we need to earn the right to be their first choice, and believe that the best way to do this is to build long-term relationships based on accountability, transparency, and an open, two-way dialogue. This notice forms part of our ongoing relationship with you.

We are writing to provide you with enhanced transparency of the overarching standards and principles of City National Bank Foreign Exchange (“CNB FX”) that apply to your trading relationship with City National Bank Foreign Exchange in relation to spot, forward, and other derivative FX transactions. CNB FX provides a full range of products and services to counterparties, including, but not limited to, Foreign Exchange and Interest Rate Risk Management.

The standards and principles outlined in this notice serve to supplement applicable laws, rules, and regulations and any relevant terms and conditions that govern your trading relationship with CNB FX, and shall apply globally to all your FX trading activities with CNB FX.

Principal Trading and Market Making

In global FX markets, CNB FX engages in price quoting, order taking, trade execution, and other related activities. CNB FX does not act as broker, agent, fiduciary, financial advisor or in any similar capacity on behalf of its clients, unless otherwise expressly agreed in writing. CNB FX acts as principal on a full risk transfer basis when executing a transaction. Risk Transfer means that CNB takes on market risk in connection with an order. The point at which that risk transfer occurs is when the transaction is executed between CNB and the client who gave the order.

- CNB FX and its clients may have divergent or conflicting interests in these activities. CNB FX takes reasonable steps to identify and manage conflicts of interests in accordance with applicable laws, rules, and regulations.
- CNB FX may utilize a number of internal and external sources of liquidity in order to provide bids and offers, and to execute transactions with clients.
- Any statement provided by CNB FX should not be construed as a recommendation or investment advice regarding the value or advisability of any trading activity, and is not based on or tailored to a client’s particular circumstances or characteristics. A client is expected to evaluate the appropriateness of any transaction based on the client’s own assessment of the transaction’s merits and all facts and circumstances in connection therewith, in consultation with its own independent advisers as appropriate.
- During periods of volatile markets, CNB FX endeavors to continue to serve its clients but may not be able to provide the product offering, level of execution, liquidity, or pricing as would be the case under more normal market conditions, and as such, CNB FX is not responsible or liable for the impact that such constraints may present.
- Large orders from clients may require management by CNB FX in order to maintain reasonable market integrity. There are certain transactions that may be required in the ordinary course of business, such as transactions related to merger and acquisition activity, which could have a sizable impact on the market. These transactions will be appropriately managed and executed by CNB FX.

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- There is no single FX market and different venues may show a different spot price at a given moment. Trades may be executed directly between two FX traders in the market, by voice brokers or on electronic trading platforms. Each venue has its own liquidity and depth and there are times where there are differences in the prices available on different venues due to imperfect market information or different liquidity. CNB FX traders use their skill and discretion in deciding which venue to use for their trades in the public market. Similarly, the FX trader may refer to price and volume information from a number of venues in order to determine whether to fill a counterparty order.

Order Management

When CNB FX accepts a client's order at a price (such as a limit order), CNB FX is agreeing to attempt to complete the trade as principal for the price requested by the client. Where the trade is a limit order, CNB FX will use its professional judgment to determine whether a limit has been reached, including where a third-party pricing source is a determinant in establishing this reference price. CNB FX's acceptance of a client's order does not mean that CNB FX will be able to complete the transaction at the order price level requested or that a tradeable market exists to execute at that level. CNB FX's ability or willingness to fill such an order may be impacted by a number of factors. CNB FX retains discretion regarding the manner in which it may satisfy such orders, which shall be exercised and appropriately timestamped in accordance with applicable local laws, rules, and regulations.

- CNB FX and clients must be clear about the time frame for the order to be active. An order is active until it expires (per a set expiration date) or is cancelled. If the client wishes to cancel an active order, the client must contact CNB FX by phone during normal business hours.
- CNB FX will attempt to execute the full size of a client order given prevailing market conditions and client instructions. CNB FX will assume that partial fills are acceptable to clients unless mutually agreed otherwise.
- CNB FX may access internal and external sources of liquidity to facilitate the execution of the client transaction that are subject to market factors that could influence the completion of the transaction.
- There may be circumstances where CNB FX is unable to accept a client order or client transaction request. Further, CNB FX's undertaking to work a client order does not create a contract between the client and CNB FX that commits CNB FX to execute any or all of the order. CNB FX's determination that an order has been filled will create a binding agreement between CNB FX and the client on the terms and conditions specified between the parties. Prior to this determination, either party may cancel the order subject to any existing arrangements agreed between CNB FX and the client from time to time.
- For algorithmic trading services, where required, CNB FX determines internal routing preferences based on factors including applicable best execution obligations and ongoing liquidity analysis.

Pricing

- Unless otherwise agreed, CNB FX provides what is commonly referred to as "all-in" pricing for FX transactions. Accordingly, unless we agree otherwise, the price of any FX transaction that CNB FX executes for clients may include what we believe to be a reasonable bid-ask spread and/or a mark-up. Such "all-in" pricing also applies to orders that CNB FX agrees to execute using its discretion (e.g., "at best" orders or orders executed over a specific period of time). For a live transaction, this means that interbank rates, often observed and reported by various news outlets, are indications of the basis from which CNB FX will apply a profit spread. For limit orders, this means that a client's requested transaction would be subject to execution when the interbank market reaches a level where CNB FX's profit spread can be realized.
- CNB FX's pricing is based on a number of factors, including, without limitation, the type of instrument and transaction involved, prevailing market conditions, the accessibility of quotations and other pricing information, the transparency of the market, CNB FX's rate of return, hedging and market risk, credit risk, operational costs, applicable regulatory requirements, and other internal and external factors. Interbank FX rates are indicative for the market, meaning that such rates may have been transacted by certain players of the market but are not always available to all market participants, including CNB FX.

- Pricing may vary for different clients for the same or substantially similar transactions for a number of reasons, including, without limitation, the client's trading volumes, the service provided to the client by the sales team and other support services, credit quality, and the client's overall relationship with City National Bank.

Electronic Trading – “Last Look”

- “Last Look” generally describes the FX trade acceptance process in which CNB FX checks open risk, credit limits, market conditions, and compares the rate at which clients are attempting to trade versus the latest price update available to CNB FX. Trade requests are then accepted or rejected based on a set of tolerances. All electronic FX trades are subject to a Last Look check. When comparing the requested and latest rate, CNB FX may delay the trade request to ensure that CNB FX has up-to-date and reliable market information (typically termed a “hold period”). This pre-trade control mechanism is also utilized as a protection mechanism to mitigate technological anomalies, unanticipated market movements, and predatory trading from latency arbitrageurs.

Client Information

- Protecting counterparty information is of fundamental importance to CNB FX. CNB FX has arrangements in place designed to protect and safeguard client and counterparty information in accordance with applicable local laws, rules, and regulations. CNB FX may share client information in accordance with its legal and regulatory obligations, and as otherwise set out in our applicable terms and conditions.

Our Culture of Integrity

- CNB FX is committed to adhering to high standards of behavior, acting with integrity, and complying with applicable laws and published industry best practices. We are focused on ensuring that CNB FX continues to act in a trustworthy and responsible manner as our clients have come to expect.
- To that end, CNB's FX employees, officers and directors receive regular training on RBC's Code of Conduct which sets out the ethical principles by which we are bound. These principles include a clear statement as to the standards to which we hold ourselves in respect of our clients and our behavior. The full text of the Code of Conduct is available at: <https://www.rbccm.com/assets/rbccm/docs/legal/fixed-income/ficc-client-notice.pdf>

If you have any questions regarding this notice, we encourage you to contact your Relationship Manager. CNB FX believes that the cornerstone of a long-term relationship is an open, two-way dialogue, and we look forward to continuing this with you.