Information for clients and counterparties that enter into financial instrument transactions and foreign exchange transactions with Bank Handlowy w Warszawie S.A.

citi handlowy

Bank Handlowy w Warszawie S.A. ("**Bank**") concludes transactions to buy or sell currencies and financial instruments being debt securities or forward and derivative transactions ("**Transactions**"), and, as part of those operations, actively takes part in trading in such instruments or currencies as a liquidity provider ("market maker").

When entering into Transactions, the Bank applies both laws and guidelines issued by regulators that are applicable to Transactions. This information is to present selected issues connected with Transaction-related relationships between the Bank and its clients and counterparties ("Party" / "Parties", "Clients"). This information is presented subject to separate arrangements with a Party or separate information provided to a Party and subject to applicable laws and guidelines from regulators.

In case of any questions regarding the information included in this document, we kindly ask you to contact your dedicated dealer.

This information may be changed or updated from time to time, in particular to address any regulatory, market or industry changes.

The information is also available on the Bank's website: http://www.citibank.pl/poland/corporate/polish/informacia-dla-klientow-i-kontrahentow-zawieraiacvch-transakcie-na-instrumentach-finansowvch-oraz-transakcie-wvmianv-walut.htm

This document is only for information purposes and is not an offer or a standard agreement within the meaning of the Civil Code.

This information is not for consumers, as defined in Article 22[1] of the Civil Code.

I. ENTERING INTO TRANSACTIONS ON OWN ACCOUNT

Unless agreed otherwise with the relevant Party, the Bank concludes Transactions on its own account, which may be connected with execution of the Client's orders, and each of the parties to a Transaction acts independently and at its own risk. With respect to the above, the Bank does not act as a broker, agent, adviser or a similar party and does not perform any activities typical of such a party. Any statements or information provided by the Bank to a Party are not a recommendation or advice for that Party.

II. ORDERS

- The Bank's declaration that it will attempt to execute an order should be understood so that the Bank will be taking steps to enter into the Transaction with the Client with the price, time and other parameters as ordered by the Client. The fact that the Bank has received an order or declared that it will attempt to execute it does not result in the conclusion of the Transaction between the Bank and the Client. The Transaction will not be entered into unless the Bank declares to the Client that the order has been executed in the form of Transaction conclusion, in which case the Client takes over the risks arising from the Transaction, including market risk and credit risk.

- The Bank may strive to execute an order while both taking into account the conditions specified by the Party and attempting to achieve an appropriate rate of return on the Transaction. In connection with the above, and subject to different arrangements with respect to order execution, the Bank may, at its own discretion and to the extent reasonable, execute orders submitted by a Party by using internal or external sources of liquidity, taking into account the size, time, sequence and manner of execution of orders.

- If an order is to be executed by an electronic system, the system will record, i.a., the order acceptance and execution date and time. Such recording may be delayed due to operational reasons or as a result of specific characteristics of the communication channel used to receive orders.

III. THE BANK AS LIQUIDITY PROVIDER (MARKET MAKER) AND EXECUTION OF TRANSACTIONS IN THAT ROLE

The Bank may enter into certain Transactions acting as a liquidity provider (market maker). To this end, the Bank may be a party to numerous Transactions, also reverse Transactions versus Transactions concluded with a Party, and enter into such Transactions within present business activities for the purposes of management of risks and liquidity of the Bank.

- In order to enter into or execute Transactions with a Party, the Bank may, at its own discretion, enter, as a market maker, into appropriate Transactions that enable – in the Bank's view – the management of the risk identified or assumed by the Bank in connection with a Transaction or in order to obtain a price quotation for a given Transaction.

- The conclusion of Transactions by the Bank as a market maker for the purposes of management of the Bank's risk or to obtain a quotation may affect the level of market prices, prices offered to Parties or prices at which Transactions are executed, access to liquidity required to execute Transactions, the level of reference indexes, price change pace, circumstances that affect meeting the conditions of Transactions, delays or obstacles making it impossible to meet the conditions of Transactions, including such conditions as stop-loss, barriers, knock-out, knock-in and similar terms. Such an impact on the market may adversely affect the Party. When entering into Transactions as a market maker on its own account, including for its own business purposes, and when managing its own risks and liquidity, the Bank makes reasonable efforts by using appropriate mechanisms to avoid an excessive impact on the market as well as conflict of interest management.

- Subject to the Bank's disclosure obligations towards the Party imposed by legal regulations, as a principle, the Bank does not disclose to Parties any information about the above activities initiated for a Transaction as market maker, while when the Bank decides to disclose such information, it obligates its employees to deliver such information in accordance with the truth.

IV. PRICES AND QUOTATIONS

A. Unless the Bank notifies a Party otherwise or agrees with such Party separately, any price provided to that Party by the Bank is a total price ("all-in price"), irrespective of the manner in which the Party has received or found out about the price.

B. Factors which the Bank may consider when determining an all-in price include, but are not limited to:

- type of the product / Transaction and the market in which the product is sold / Transaction is concluded, such as: (i) trading system, (ii) Transaction type (iii), Transaction amount and direction (buy/sell), (iv) market conditions, including market events, extent and pace of price changes and the Transaction execution time, (v) market transparency, taking into account active observable liquidity, trade volume, access to non-bank trading systems or platforms and (vi) availability of third party quotations and other information used in the process of valuation;

- internal costs of the Bank, such as hedging costs, financing costs, costs of capital and operating costs of the Bank;

- factors connected with the Party to a Transaction and a Transaction, such as: (i) transaction amount, type and frequency and the pace of conclusion of the Transaction by the Party with the Bank and in the market, (ii) potential impact on the market in connection with transactional operations of the Party with the Bank and in the market, (iii) assessment of the Party's creditworthiness and of the Bank's risk exposure to the Party, (iv) specific conditions of the Transaction or documentation with the Party, and (v) scope and nature of the Party's cooperation with the Bank;

- laws and guidelines issued by regulators.

The Bank may also take into account any other factors it may deem reasonable or necessary.

The impact of each individual factor on a Transaction will be different depending on the specific circumstances of such Transaction. Therefore, the Bank may set different prices for different Parties or at different times for the same or a significantly similar Transaction.

C. Provided that the Party is notified of different price determination rules, where the Bank is checking if liquidity is available at specified price levels, required to conclude a Transaction, the Bank may take into account factors mentioned in clause B above, making up the all-in price, which may be disadvantageous to the Party, may delay or prevent the conclusion of the Transaction. When the conclusion or execution of a Transaction depends on the value of a reference market price, the Bank and the Party may agree an exact source of such price. If there is no such agreement, the Bank will determine the value of the reference market price in an economically reasonable manner by applying, depending on circumstances, a purchase price (bid), a sale price (ask), a mid-market price or a different appropriate price.

V. CONFIDENTIALITY

In accordance with the law and in the scope specified by the law or agreement, terms and conditions and other documentation signed with a Party, the Bank is obliged to keep confidential any information related to Transactions and the Party. In order to maintain confidentiality, the Bank has in place and complies with various procedures and processes that ensure information confidentiality. As a party to a Transaction, the Bank may use Transaction-related information to execute the Transaction and to manage the Transaction risk and for other risk management purposes.

In particular, and unless agreed otherwise and subject to applicable laws and regulations, the Bank may apply parameters of Transactions (while not disclosing the name of the Party to a Transaction) in order to assess liquidity or to obtain liquidity or to execute risk mitigating Transactions, or to determine prices quoted by the Bank for other Parties. Such use of information may adversely affect the Party that provides the Bank with information.

In addition, the Bank analyzes information relating to Transactions concluded and executed on an individual or collective basis, for various purposes, including the management of market and credit risk, ensuring sales and the management of relationships with the Party.

VI. CONFLICT OF INTEREST

- The conclusion of Transactions by the Bank on its own account and the role of the Bank as a market maker and conclusion of Transactions by the Bank, for its own business purposes, including for the purposes of management of the Bank's risk and liquidity, may cause a conflict of interest between the Bank and a Party as well as between the Parties concerning decisions to execute, execution times and scopes and prices for which the Bank executes Transactions with its counterparties.

- For selected Transactions, the Bank may conclude Transactions to hedge its position, while assuming the partial or full execution of an order or conclusion of a Transaction, with the use of internally developed algorithms, order re-routing mechanisms or other automated tools aimed at obtaining internal and external liquidity. From such hedging Transactions, concluded in external trading systems or trading facilities (including those to secure positions resulting from Transactions of Parties concluded with the use of transaction algorithms, if they are provided by the Bank), the Bank may, subject to applicable laws and regulations, earn additional benefits, such as lower transaction costs, when it uses its own sources of liquidity and assets, or other economic benefits (e.g. a right to receive additional payments).

  Such activities may lead to a conflict of interest, however the Bank, to the extent required by law, applies appropriate procedures and manages such conflicts to prevent the interests of a Party from being infringed. The fee or other economic benefits resulting from hedging activities are due to the Bank in their entirety.

- Transactions referring to a price are Transactions agreed with reference to a specified future price or index. For example, barrier options are a class of options that are activated or deactivated when a reference price determined in advance is achieved on a specified date or in a specified period. A Party should be aware of key mechanisms of reference prices and that the use of reference prices always leads to conflicts of interest between the Bank and Parties. The hedging activity of the Bank in relation to reference prices, which may be carried out by the Bank before, during or after the calculation of a reference price, can affect the reference price of the underlying instrument for a Transaction, which may be disadvantageous to the Party from time to time. The Bank carries out its hedging activity exclusively for the purpose of risk management, and never to affect or manipulate a reference price.

VII. CONCLUSION OF TRANSACTIONS BY ELECTRONIC MEANS

- For certain types of Transactions and Parties, the Bank may provide indicative or binding quotations for Transactions via automated channels, in particular electronic platforms ("platforms").

- Where the Bank has offered access to its own electronic trading algorithm to a Party, the following rules should be taken into account:

  ◦ Price, speed and probability of execution of an order submitted with the use of such an electronic trading algorithm will differ depending on the parameters of a given algorithm, including depending on the platform to which the algorithm directs the activities that are to hedge the position of the Bank in connection with the Transaction in order to provide information on the price of the Transaction with the Party (i.e. in order to obtain liquidity) and depending on whether the algorithm obtains liquidity in a passive or active manner.

    The platform or another source of liquidity selected by the Bank for an algorithm or the sequence of transmission of orders may trigger specific conflicts of interest, which are described in more detail in part VI.

  ◦ Before starting to use an electronic trading algorithm, a Party should carry out an independent assessment of usefulness of the algorithm and its parameters for its own purposes on the basis of information in possession of the Party or its advisers.

  ◦ When using an electronic trading algorithm, a Party is exposed, inter alia, to the following risks connected with the use of algorithms and algorithm-related strategies: (i) market conditions may prevent the algorithm from operating in accordance with the implemented strategy, parameters, risk controls or expectation of the Party; (ii) the operation of the algorithm may be affected by the conduct of other market participants who conclude transactions on the platform on which the algorithm obtains liquidity; (iii) algorithms may be exposed to errors, failures and operational delays and, due to technological reasons, and irrespective of the source of an algorithm, platforms on which such algorithm functions may affect, directly or indirectly, the functioning of the algorithm.

  ◦ Delays of publication of price updates and delays occurring in market infrastructure, communications and internal processes may lead to temporary differences between prices obtained from external sources for use in algorithms of the Bank and current prices offered on external platforms.

- In the case that a Party files a request for conclusion of a Transaction for a price provided by the Bank electronically or files, electronically, a request for quotation, such request may be subject to various pre-transactional verifications before it is finally accepted by the Bank.

  ◦ Such pre-transactional verification, related to an indicative quotation of the Bank, which may delay acceptance or lead to rejection of a Transaction request filed by a Party is called the "final verification". Below, we present the general assumptions and characteristics of the final verification. The application and particular parameters of the final verification vary depending on the Party and on the Transaction type and platform.

  ◦ The final verification allows the Bank to manage the risk of conclusion of the Transaction without any adverse impact

on the difference between buy and sell prices for the Transaction and on liquidity. Where there is no final verification, the Bank would potentially hedge itself by reducing liquidity and by increasing the difference between buy and sell price for the Parties using the platforms.

- ◦ The Bank carries out a final verification in particular for the following reasons:

    - The Bank indicates prices to a large base of Clients. The indicative prices provided are based, inter alia, on the asset base owned by the Bank and the risk profile of the Bank. A final verification is to ensure the effective management of the position and risk profile by the Bank.

    - Communication delays may lead to situations where requests for the conclusion of Transactions and requests for indicative quotations become out of date. In addition, some market data are not uploaded on an ongoing basis in real time.

    - The Bank verifies the credit status of a Party and the credit exposure of the Bank to such Party and the results of such verification may change over time.

    The Bank also makes additional verifications of a Party, such as a check of authorization to conclude a Transaction in order to meet regulatory obligations and to properly carry out the risk management process.

- Simultaneously with risk management, regulatory verification and data validity verification, the Bank also verifies the price. In the event that, after a Party has submitted a request for the conclusion of a Transaction, the absolute difference between the price for the Transaction for the Party and the current market price of the Transaction exceeds the maximum value adopted in the Bank, the Bank will refuse to conclude that Transaction. In general, the Bank applies the symmetric price verification methodology, which means that the Bank will refuse to enter into such a Transaction irrespective of whether the current market price has shifted to the advantage of the Party or the Bank.

- In general, the Bank applies the final verification immediately, and in some cases with a slight delay, after receiving the Party's request for a Transaction, however the exact use of final verification may differ from platform to platform.

- The Bank may take into account various factors to determine the parameters of final verification, and in particular: product type, platform on which Transactions are concluded, transactional history and preferences of the Party and the scope and nature of business relationship between the Party and the Bank.

- During verification of the Party's request for a Transaction, i.e. until the end of the verification process, the Bank will not carry out any transactional activity on the basis of the Party's request and will not use such information to adjust the price offered by the Bank.