

Citibank (Hong Kong) Limited

Best Execution Policy

Client Disclosure

May 2024

## 1. Purpose of This Disclosure

- 1.1. We recognize the importance of executing client orders in respect of investment products on the best available terms. The Best Execution Client Disclosure (“**Disclosure**”) sets out the steps which Citibank legal entities in Hong Kong, as set out in paragraph 2.3, arrange and achieve the best available terms for you, as a Citibank client, when receiving, transmitting and/or executing your orders in respect of investment products as set out in paragraphs 2.2.
- 1.2. This Disclosure sets out the strategy and practical steps that Citibank is taking to ensure that it complies with its best execution obligations, including the steps that Citibank is taking in relation to each asset class to obtain the best available terms for you on a consistent basis in general.
- 1.3. Citibank may update this Disclosure from time to time. For the most up-to-date version of this Disclosure, you should speak with your Relationship Manager or refer to Citibank’s website.

## 2. Scope of This Disclosure

### 2.1. Which activities are in scope?

This Disclosure applies whenever Citibank receives and handles requests for quotes (“**RFQs**”) and/or execution instructions, whether solicited or unsolicited, in respect of investment products, where Citibank:

- Is operating or executing as principal (proprietary), riskless / back-to-back principal or agent; and
- Receives price quotes from, executes, and/or submits execution instructions to, any Citi affiliates (which for this purpose may include branches of and/or businesses within Citibank N.A. (organized under the laws of U.S.A. with limited liability)), third party brokers, third party execution venues, third party OTC counterparties or third-party issuers, following a request or instruction (whether solicited or unsolicited) from you.

### 2.2. Which products are in scope?

The Best Execution requirements would apply to all investment products in Citibank’s context, the following products:

- Exchange-traded Products (e.g. Equities, Exchange-traded Funds (“**ETF**”) and Exchange-traded Derivatives, etc.)
- Fixed Income Securities (e.g. Bonds, etc.)
- Structured Products

- FX (including FX and Gold Manager) Spot / Forward, FX OTC Options, Premium Account and Gold Premium Investment
- Distribution of Mutual Funds and Alternate Investments

### **2.3. Which entities/ business(es) are in scope?**

The Citibank entities/ business(es) in Hong Kong covered by this Disclosure are:

- Citibank (Hong Kong) Limited
- International Personal Banking (IPB) Business in Citibank N.A., Hong Kong Branch (organized under the laws of U.S.A. with limited liability)

Collectively, the above-mentioned entities/ business(es) will be referred to as “**Citibank**” for the purposes of this Disclosure.

Best execution will apply when Citibank is receiving, transmitting and/or executing orders on behalf of the clients of the above entities/ business(es) in respect of investment products that fall within the asset classes covered by this Disclosure.

### **2.4. Application of the best execution rules**

This Disclosure seeks to apply a consistent, harmonized approach to the best execution for Citibank as a whole, except where indicated. If you have any questions, please contact your relationship manager.

### **2.5. Which customers are in scope?**

In the context of a licensed corporation which is a Bank (i.e. a registered institution) carrying on business in dealing in investment products, “client” means a person on whose behalf, or with whom, such licensed corporation (either directly or through its agent) deals or will deal in investment products.

## **3. What is Best Execution**

### **3.1. “Best Execution” means:**

- That we have established this Disclosure that is designed to achieve the best available terms (considering all relevant execution factors described below) across all orders on a consistent basis when placing the orders for execution with execution venues identified in this Disclosure.

- That we are committed to complying with the Disclosure.
- That we will take steps to monitor, review and where appropriate update our best execution arrangements to ensure continuity in achieving the best possible result (considering all relevant execution factors described below) across your orders on a consistent basis.

Complying with our best execution obligations does not involve a transaction-by-transaction analysis. We are going to take sufficient steps to obtain the best available terms consistently when executing orders on your behalf or when we pass orders to others for execution, considering the execution factors described below.

### **3.2. Execution Factors**

Best execution means taking all sufficient steps to obtain, when executing your orders or placing your orders with (or transmitting your orders to) other entities to execute, the best possible result on a consistent basis for you taking into account the following execution factors.

- Price – offered by the market, limit price of the order.
- Cost – costs associated with the transaction and brokerage fees
- Speed – speed of the execution / settlement, the type of marketplace and location
- Liquidity – of the market, measuring the capability of additional transactions with minor impact on the current price level. Likelihood of execution and settlement (based on experience over time)
- Size – size of the order
- Nature – scope and type of order

For different products and order types, the factors taken into account will be different.

In determining the relative importance and/or the applicability of the factors, Citibank also takes into account the following factors:

- the types of investment products;
- the characteristics of the execution venues or brokers to which your order can be directed; and
- the characteristics of your orders.

## **4. When does Best Execution apply?**

- 4.1.** Citibank owes a duty of best execution to you when acting for you or with you in receiving, transmitting and/or executing your orders in investment products in any of the circumstances described in paragraph 2.1.

## **5. Compliance with client instructions**

**5.1.** Where Citibank has accepted your instructions with respect to the execution of your order, we will follow them to the extent it is possible for us to do so. You will need to be aware that to the extent that we accept and follow your instructions, we will have satisfied our best execution obligations with respect to that aspect of the order, although best execution will still be applicable to other aspects of your order to the extent that they are not covered by your instructions. For example:

**5.1.1.** Where you instruct us to execute your order at a particular time or over a particular period, regardless of the price available, we will endeavor to execute your order at that time or over that period on the best available terms, but best execution obligations will not apply with respect to timing, price or other factors that have been directly determined as a result of your instructions.

## **6. Use of Brokers**

**6.1.** Citibank assigns Exchange-traded Products trade executions to affiliated and non-affiliated brokers. Citibank will maintain a panel of selected affiliated and non-affiliated brokers, and only those brokers will be used in the execution of client orders. Citibank will review the panel of selected brokers on a periodic basis to ensure – on a best-efforts basis – that the selected panel is sufficient to facilitate Citibank’s regulatory obligations with respect to executing client orders on the best available terms on a consistent basis over time.

**6.2.** Citibank will consider a number of factors when selecting brokers - including accessibility to the relevant market, experience in the relevant market and ability to give up and clear trades. Citibank will select appropriate brokers to ensure they meet the standards required.

**6.3.** Citibank may also select or reject a broker based on a review of that entity’s historical execution performance.

## **7. Transactions through single counterparty**

**7.1.** Further to point 3.2 above, Citibank may decide to execute the client’s order by transacting with or through a single counterparty where multiple quotes or multiple counterparties are

unavailable and / or after considering the relevant execution factors and conditions. This single counterparty may be either a Citi internal affiliate or an external counterparty – for certain asset classes, the choice of a single counterparty may also be a necessity because only one counterparty offers the relevant product in the market (and thus Citibank’s choice of counterparty is determined by the characteristics of the investment products). For these investment products, Citibank will monitor the price quality of the single counterparty on a best-efforts basis. The investment products which Citibank currently executes only with Citi internal affiliates are summarized in Appendix B.

## **8. Monitoring**

- 8.1.** Where the duty of best execution applies (as described in section 2 above), we will monitor the effectiveness of our execution arrangements and assess whether the execution venues we have selected provide the best available terms for orders executed on your behalf on a consistent basis. The way we conduct monitoring will vary depending on asset class.

## Appendix A: Best Execution Factors for Different Products

The major best execution factor for different products is illustrated below. However please refer to section 3.2 for details of other execution factors to which Citibank may have regard when executing your orders.

### Equities, Exchange Traded Funds, Exchange Traded Derivatives

- Citibank currently executes all client trades via Citi Global Markets (“CGM”) or DBS Vickers (“DBSV”). The use of two Execution Brokers (“Brokers”) across the 3 markets which we offer US/ HK/ China Stock Connect to our brokerage clients offers resilience when one has system / connection issue.
- Orders may be taken from clients who place through their own via digital channels, and/or from clients who lodge their instructions to an Equity Phone Service Officer.
- Authorized orders placed in the booking system will be transmitted to CGM and DBSV.
- The Brokers determines the methods used to execute orders depending on prevailing market conditions like liquidity and order size.
- For market orders, the key factor to be considered is speed of execution.
- For limit orders, the key factor to be considered is to ensure the order is executed with the limit price.

### Fixed Income Securities (e.g. Bonds, etc)

- Client orders of all Citibank businesses covered in this Disclosure are priced / sourced / placed with / executed by Citibank’s central pricing and execution desk in Singapore.
- Orders are taken from customers who communicate their instructions through online channels or manned channel.
- The key factors for best execution for Fixed Income Securities orders will be price, with speed and likelihood of execution also taken into consideration, where applicable.
- The execution desk delivers best execution according to their internal policy.
  - The execution desk is regulated by the Monetary Authority of Singapore (MAS)
  - The execution desk dealers are individually licensed representatives under the Securities and Futures Act to conduct the regulated activity of Dealing in investment products that are securities.
  - The execution desk considers various factors on best execution such as market price, cost, speed of execution, liquidity & likelihood of execution, size, & nature.
- Under certain circumstances, exceptions to the Best Execution would apply:

- Client consent is obtained by Citibank through voice-log / client documentation that the second market quote is not required.
- In absence of multiple quotes, e.g., IPO, Overnight Order

**FX (including FX and Gold Manager) Spot / Forward, FX OTC Options, Premium Account and Gold Premium Investment**

- Client orders are priced / placed with / executed with Citibank's central pricing and execution desk in Singapore.
- The execution desk is integrated with internal affiliate's FX system for pricing and executions, and only trades with internal affiliates.
- The following factors are considered for order execution:
  - Prices tradable
  - Liquid or Illiquid
  - Likelihood of execution
  - Nature of the order (Market or Limit order, Stop loss One-Cancels-Other (OCO)if-done order etc.)
  - Bump quotes/prices (invalid prices that are traded out of market)
  - Cost where applicable
  - Size of the transaction
- The execution desk handles all orders it receives on an aggregate basis and all the orders placed at the same price level (if reached) will be filled.

**Structured Products (All asset classes, including but not limited to structured products linked with Equity, FX, Rates, Hybrids and more)**

Structured Products are bespoke products and pricing is sought from issuers or Citibank's central pricing and execution desk in Singapore.

- Orders are then taken from clients who communicate their instructions via manned channel.
- For client orders that are directly sourced / placed / executed by Citibank directly with issuers, Citibank seeks the best available terms from the issuer and ensure the best available terms are being implemented for each request, and document the rationale provided by the issuer if it is not.
- For client orders sourced/ placed / executed by the execution desk, the desk provides market quotes to the business units. The mandate/execution will be determined by the best fit to the client objectives, which may include consideration of concentration, available leverage facilities, or other factors as documented or ensured by Citibank Business Units.



- Different issuers have different specifications. Best execution is taken into account during the structuring process, based on your objectives and preferences that may include consideration on concentration, leverage facility available or other factors.

Note:

- Citibank offers / transacts in only structured products primary offerings for client subscriptions. Where there are subscription orders from many clients, these are aggregated into a tranche and executed with the mandated issuer at the same price.
- As structured products are bespoke / customized products with liquidity provided by a single secondary market provider, structured note redemption orders can be quoted by / executed with only the provider of the structured products.

### **Mutual Funds and Alternate Investments (e.g. Private Real Estate, etc.)**

Upon receipt of instruction to purchase or otherwise subscribe to, or sell or redeem or otherwise deal in the shares / units in a fund, and upon acceptance of instruction, we will execute the instruction by considering a range of factors deemed relevant by Citibank as follows:

- Price – With respect to each fund, offered by the fund house.
- Cost – Upfront commission are charged upfront on the relevant subscription orders. Citibank Business Units do not charge client any additional transaction cost from the subscription price.
- Speed – With respect to each fund, instructions received and accepted will be processed before any relevant cut-off time.
- Size – The fund administrator may consider a range of factors, such as the fund capacity limits, the client concentration limits and may decide in its sole discretion to place a cumulative trading limit on fund orders in order to manage the overall capacity limits.

**Other factors:** The fund documentation usually specifies the procedures that have to be followed in order for an investor to subscribe for, or redeem, shares / units in the relevant fund, and this could limit the applicability of the factors (e.g. choice of execution venue) that can be considered during order execution.

## Appendix B: Investment Products Executed by a Single Counterparty (Citi internal affiliates)

- Fixed Income Securities (Bonds)
- FX Spot and Forward
- FX OTC Options
- Premium Account
- Gold Manager and Gold Premium Investment