

Disclosure to Counterparty under FX Global Code of Conduct

Purpose

This disclosure document clarifies the nature of the trading relationship between you (hereinafter referred to as “**you**”/“**counterparty**”) and YES Bank Limited including its subsidiaries/affiliates (“**Bank**” / “**YES Bank**”) and is intended to disclose the relevant practices that YES Bank follows while acting as a dealer, on a principal basis, in the foreign exchange and derivatives markets (“**FX market**”). This disclosure is intended to ensure that counterparty has unambiguously understood the practices/processes followed by YES Bank and that there are no misunderstandings while executing FX transactions with counterparty.

You are requested to read this disclosure as it lays down Bank’s standard terms of dealings / executions in FX markets generally with our clients (together with other market participants) in principal-to-principal transactions in the FX markets (as well as when you act as agent for another principal). It discloses how the Bank communicates and transacts in relation to requests for quotes, requests for indicative prices, discussion or placement of orders and all other expressions of interests/communications that may lead to the execution of transactions and the Bank’s management of potential or actual conflicts of interest in its principal-dealing and market-making activities.

YES Bank is a scheduled commercial bank having its branches in India alongwith a representative office in Abu Dhabi and a branch at IFSC Banking unit at GIFT City, Gujarat and operates as a dealer and market maker in the FX market. As such, YES Bank engages in price quoting, order taking, trade execution and other related activities. The Bank engages in these transactions only as principal for the benefit of the Bank, unless otherwise expressly disclosed to you. Accordingly, the Bank does not act as agent, fiduciary or financial advisor or in any similar capacity on behalf of its clients. The Bank is dedicated to upholding high level of integrity and adhering to the good practices and requirements published by Foreign Exchange Working Group as recommended by Foreign Exchange Dealers’ Association of India and its regulatory bodies in dealings with counterparty / clients. Nonetheless, YES Bank and its counterparties may have divergent or conflicting interests.

To the extent that you continue to engage, communicate, discuss and/or enter into FX transactions with the Bank, and except as otherwise expressly agreed between the Bank and you (or otherwise provided in other applicable terms of dealing by the Bank) or otherwise required by law or regulation, it will be on the basis of the terms disclosed in this document.

Execution

1. All activities of the Bank while managing orders and/or executing transactions in FX markets will be in its capacity as a principal and as an arm’s length party, unless otherwise disclosed/communicated by the Bank. The Bank does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of the counterparty and thus does not undertake any of the duties that an entity acting in that capacity ordinarily would perform, unless otherwise explicitly agreed between Bank and the counterparty. In the event Bank wishes to vary its capacity in which it or its counterpart acts, any alternate arrangement shall be made only with the consent of both parties. Bank’s sales and trading personnel and FX electronic solutions do not serve as brokers or agents to counterparty. The Bank will be truthful in its statements about any facts, but its statements should not be construed as recommendations or advice in any manner whatsoever. The counterparty is expected to evaluate the appropriateness of any transaction based on the counterparty’s own facts, circumstances and its own independent assessment of the transaction’s merits. Counterparty is expected to make an informed decision of whether or not to execute any transaction and it should only execute after it is fully satisfied with the disclosure and information made under this document or otherwise by the Bank.

2. Where the Bank acts as a principal, it takes on one or more risks in connection with an order, including but not limited to market and credit risk. Hence, the Bank act on its own behalf and there is no obligation to execute the order until both parties are in agreement.
3. When the Bank is willing to execute counterparty's "order" at a price (*such as a limit order*), the Bank is indicating a willingness to attempt to enter into the trade at the price requested by the counterparty. Unless otherwise specifically agreed, the Bank will exercise its discretion appropriately in deciding whether to execute an order, which orders it would be willing to execute, when it would be willing to execute them, and how it would execute them, including whether to execute all or part of the order unless we have otherwise expressly agreed to different terms of execution. As such, Bank's receipt of an order or any indication of executing an order received from the counterparty does not create a contract between the counterparty and the Bank that commits the Bank to execute any or all of the order in any particular way.
4. As it relates to timing, Bank may look for market opportunities that satisfy both a price where it can execute counterparty's order at the counterparty's price and earn a reasonable return for that activity, including while managing and prioritizing other interests, positions and executions for the Bank and other counterparties. When the Bank is willing to execute an order with the counterparty, the price at which the Bank would do so may include a mark up over the price at which the Bank transacted, or may have been able to transact, with other counterparties.
5. As a authorised dealer / market maker that manages a portfolio of positions for multiple clients/counterparties' competing interests, as well as Bank's own interests, the Bank acts as principal and may trade prior to or alongside a counterparty's transaction to execute transactions for Bank or to facilitate executions together with other clients/counterparties, to manage risk, to source liquidity or for other reasons. These activities can have an impact on the prices that Bank offers to its counterparty on a transaction and the availability of liquidity at levels necessary to execute counterparty orders. This can also trigger a stop loss orders, barriers, knock-outs, knock-ins and similar conditions. In conducting these activities, Bank endeavors to employ reasonable means to avoid undue market impact.
6. In addition, as an authorised dealer / market maker, the Bank may receive requests for quotations and multiple orders for the same or related currency pairs. The Bank acts as principal and may seek to satisfy the requests of all of its clients/counterparties and its independent risk management objectives, but it retains discretion with respect to how to satisfy its clients/counterparties, including with respect to order execution, positioning, aggregation, prevailing liquidity, its trading strategy, market conditions, priority and pricing. The Bank is not required to disclose to the counterparty when the counterparty attempts to leave an order that the Bank is handling other client/counterparties' orders or the Bank orders ahead of, or at the same time as, or on an aggregated basis with, the counterparty's order. The Bank is under no obligation to disclose to the counterparty why the Bank is unable to execute the counterparty's order in whole or in part, provided that the Bank will be truthful if its agrees to disclose such information. Where discretion exists or may be expected, the Bank shall exercise the same keeping in mind various factors as envisaged above including Bank's own risk management objectives.
7. If and when a counterparty's order can be executed at the order price, it does not mean that the Bank held, acquired, or would acquire, inventory to complete the transaction at the order price level or that there exists a tradable market at that level. As principal, the Bank always attempts to execute an order to make an appropriate return on the transaction if possible, taking into account the Bank's position, including its inventory strategy and overall risk management strategies, its costs, its risks and other business factors and objectives, in Bank's discretion.
8. When solicited for and prior to the execution of a transaction, Bank may risk-mitigate or hedge any exposure that would be created by such transaction.

9. The Bank, without any limitation and at its direction, may decline any transaction, if it has ground(s) to believe that the intent of any transaction(s) is to disrupt or distort FX market functioning in any manner whatsoever. The Bank will also make all arrangement to appropriately escalate the same.
10. The Bank may use its own or third party pricing source(s) for establishing reference price(s) and unless otherwise agreed with counterpart, the Bank shall use its discretion to derive at the reference price including high and lows.
11. Unless otherwise agreed, any firm or indicative price quoted by the Bank to the counterparty will be an "all-in" price, inclusive of any markup above the price at which the Bank may be able to transact, or has transacted, with other clients/counterparties, regardless of the circumstances under which the counterparty receives or overhears a price. Bank's sales and trading personnel are not obligated to disclose the amount of revenue the Bank expects to earn from a transaction, nor are they required to disclose the components of Bank's all-in price. While the Bank does not have any duties to disclose to the counterparty any mark-up included in the order price, the Bank will be truthful with the counterparty if the Bank makes a disclosure about whether and how much markup is included in the price.
12. The Bank has discretion to offer different prices to different clients/counterparties for the same or substantially similar transactions.
13. It should be expected that the Bank's sales, trading and other personnel will consult, including with respect to a counterparty's interests, trading behavior and expectations, markup, spread, and any other relevant factors, on a need-to-know basis in order to manage the Bank's market-making positions, and for the benefit of the Bank's trading positions and the handling of other counterparty transactions. The final transaction price may be inclusive of markups, spread and other relevant charges in order to compensate the Bank for a number of considerations that shall include risks taken, costs incurred, the services rendered for you, nature of the specific transaction and those associated with the broader relationship.

INFORMATION SHARING

14. The Bank has policies and controls in place that are designed to protect counterparty's confidential information. However, counterparty should understand that Bank makes use of information provided to it as principal in order to effectuate and risk manage transactions. Specifically, unless otherwise agreed, Bank may use the economic terms of a transaction (*but not the counterparty identity*) in order to source liquidity and/or execute risk-mitigating transactions. Also, the Bank may share its own prior positions and / or trading activity(ies) without revealing counterpart's identity or confidential information. In addition, as part of its obligations as a regulated entity, Bank also shares counterparty information as required by its regulators.
15. With regard to executed transactions, the Bank analyzes this information on an individual and aggregate basis for a variety of purposes, including counterparty risk management, sales coverage, and counterparty relationship management.
16. The Bank also may analyze, comment on, and disclose anonymized and aggregated information regarding executed transactions, together with other relevant market information, internally and to third parties, as market color.
17. If counterparty has questions after reading this disclosure or concerning Bank's dealings, you may contact your senior Bank representative. This document is also made available on www.yesbank.in and may be updated from time to time in order to address changing regulatory, industry and other developments.