

Systematic Internaliser Commercial Policy

1. Introduction

Daiwa Capital Market, Europe, has announced that it will be a systematic internaliser (SI) in certain instruments as set out below for the purposes of MiFID II¹ with effect from 6th August, 2018.

This document is DCME's regulatory disclosure in respect of its Commercial Policy and sets out the terms on which DCME as an SI will:

- A. Make public SI-eligible firm quotes (defined below), instruments for which there is a liquid market, in accordance with Art. 18(1) MiFIR²
- B. Make SI-eligible firm quotes accessible to all clients, in accordance with Art. 18(5) MiFIR (subject to certain exclusions/conditions as set out in sections B and C).

A quote is deemed to be SI-eligible if it is a quote in respect of an instrument that is designated as "traded on a trading venue" (TOTV), for which DCME is an SI and where the size in which the quote is provided is below the relevant size specific to the instrument (SSTI).

Please note that this document will be reviewed periodically and may be subject to updates and changes.

Whilst material changes to the Commercial Policy will be communicated to all clients, minor or non-material changes will not be subject to notifications. Clients are advised to check DCME's Corporate Governance and Regulatory website – <http://.uk.daiwacm.com/about-us/corporate-governance-regulatory> – for the latest version of this document

2. Policy Scope

Where Daiwa Capital Markets Europe (DCME) legal entity is acting as an SI in accordance with MiFID II it is required, subject to certain conditions, to publish firm quotes. This Policy applies to such SI DCME's activity in Fixed Income and Convertible Bond Securities that are traded on an EU trading venue.

If you are a client of SI DCME and wish to trade against a quote in a Fixed Income or Convertible Bond instrument which SI DCME has published, you may request to do so. However, to determine whether you are in fact able to trade against a particular quote the SI DCME may apply its "commercial policy", that is made up of the factors set out in Section 'Access Criteria' below.

Note that the SI DCME is not required to publish (or to give you access to) quotes in sizes above the relevant "size specific to the financial instrument" (SSTI) or instruments that are not deemed liquid by the European Securities and Markets Authority (ESMA).

3. Access Criteria

The “Access Criteria” below set out the factors that SI DCME may take into account when determining whether a client (the “**Requesting Client**”) should be given access to a published quote already provided to another client (the “**Original Client**”).

These criteria will be applied in an objective and non-discriminatory way.

If you are a Requesting Client, SI DCME may decline to trade with you at the published quote where any of the following apply:

1. General Account Opening Criteria

You cease to meet the SI DCME’s general account opening criteria, **and/or you fail to accept our Term of Business (Eligible Counterparty Agreement or Professional Client Agreement).**

2. Trade Size.

You ask for a price in respect of a different trade size to the Original Client.

3. Credit Profile

The SI DCME’s internal assessment of your creditworthiness differs from that of the original client.

4. Contractual Agreement Terms

A firm quote provided to an Original Client in respect of a transaction in a Fixed Income or Convertible Bond instrument is subject to particular contractual terms under the relevant master agreement (e.g. ISDA) and/or collateral agreement (e.g. CSA) may not be available to you if similar transaction between the SI DCME and you would be subject to differing contractual terms which may or do affect trade economics, credit profile, settlement risk or any other objectively measurable economic or risk parameter.

5. Timing of Quote

A firm quote in respect of a transaction in a Fixed Income or Convertible Bond instrument may be considered stale (and thus no longer executable) if market conditions change or with the lapse of time (taking into account the liquidity and characteristics of the market for the Fixed Income or Convertible Bond instrument in question).

6. Tiering

The SI DCME’s tiering assessment on the Requesting Client differs from that of the Original client, where in accordance with MiFID II, the quotes are made available to tiered counterparties in a non-discriminatory fashion based on various factors including, but not limited to, historical relationships with DCME and DCME affiliates.