

State Street Bank International GmbH

Currency Management RTS-28 2019 Disclosure published April 2020

The amended Markets in Financial Instruments Directive ("MiFID II") came into force across Europe on 3 January 2018. RTS 28 of the Directive requires investment firms who execute client orders to summarise and make public on an annual basis, for each class of financial instruments the top five execution venues (or in cases where the investment firm uses less than 5 venues, this number) in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained.

The below table is for the period 1st January 2019 to the 31st December 2019 and also covers the orders executed on behalf of State Street Europe Limited for clients that migrated from State Street Europe Limited to State Street Bank International GmbH under a novation agreement in 2019.

Class of Instrument	FX Forwards and Spot				
Notification if < 1 average trade per business day in previous year	NA				
Top Five execution venues ranked in terms of trading volume	Proportion of Volume traded as percentage of total in that class	Proportion of Orders executed as percentage of total in that asset class	Percentage of Passive Orders	Percentage of Aggressive Orders	Percentage of Directed Orders
FX Connect (LEI: NA)	100%	100%	0%	100%	0%

Best Execution

When routing client order(s) for execution State Street will first take into account the currency management strategy, any specific instructions we receive from the client and then consider a range of execution factors including but not limited to those listed below as well as factors associated with the currency management process.

Specific instructions;

Hedging strategy;

Price;

Cost;

Speed;

Likelihood of execution;

Likelihood and reliability of settlement;

Speed and accuracy of confirmation and settlement process

Size;

Nature of an Order;

Local Laws and Regulations; and

Other factors we believe would contribute to a beneficial outcome for the client.

Relative importance of the execution factors

While price is generally a key factor, the overall value to a client of the currency hedging service is in seeking to consistently fulfill the client's objectives as set forth in the Currency Management Agreement (CMA) entered into by the client and State Street. The relative importance of each of the factors will differ depending on those objectives.

The currency management process

The currency management process frequently relies on estimates provided by a client's data agent. These estimates are then replaced with finalized or actual subscription and redemption figures, which require subsequent cancellations and rebuoks of the foreign exchange transactions. This process is operationally difficult for principal dealers to facilitate, and may limit the number of principal dealers that a client may select as a counterparty to foreign exchange trades. For this reason, State Street will normally choose SSBTC acting in its role as a principal dealer in the foreign exchange markets as counterparty to the client's trades unless otherwise directed by the client in its CMA.

When executing a client's orders State Street may aggregate the client's orders with those of other currency management clients. State Street will only do this where it reasonably believes that it is in the overall best interest of each client. This process will result in one or more underlying funds or accounts with a foreign exchange transaction in the opposite direction to the overall net position at that time receiving more favorable pricing than what might otherwise be the case if the foreign exchange transaction were priced on an individual transaction basis at that time. Similarly, this process may also result in one or more underlying funds with a large foreign exchange transaction in the same direction to the overall net position receiving a benefit through a reduced bid offer spread than what might otherwise be the case if the client's large foreign exchange transaction were priced on an individual transaction basis at the time (i.e., without the benefit of netting for pricing purposes).

Assessing the quality of execution

If the foreign exchange transaction entered into on the client's behalf with a principal foreign exchange dealer is intended to be a market rate, State Street will seek to compare any quote obtained from such principal foreign exchange dealer against the streaming indicative rates provided by Bloomberg or another appropriate information source to validate the reasonableness of the quoted exchange rate.

State Street's order execution policy and arrangements are reviewed at least annually but may be updated more frequently when required, such as where we identify a material change to our operating processes which may affect our ability to deliver best execution on a consistent basis. In the event that any material changes are made to the order execution policy or to our execution arrangements we will notify the client accordingly.

State Street has established a Foreign Exchange Working Group that meets at least quarterly to oversee the activities of the agency foreign exchange service offered by State Street to review the effectiveness of this policy and to continuously evaluate various aspects of execution quality.

Close links, conflicts of interest and common ownerships

State Street Bank International GmbH (SSBI GmbH), which is located in Frankfurt, enters into a contractual arrangement (pursuant to the CMA) with the client pursuant to which it provides services (as detailed in the CMA) in connection with executing the foreign exchange transactions necessary to implement the client's particular hedging strategy.

SSBI GmbH, acting as agent, arranges for the execution of the necessary foreign exchange hedging trades, often with SSBTC as counterparty, acting in its role as a principal dealer in the foreign exchange markets (as described in the CMA). State Street, acting as a principal dealer and counterparty to a foreign exchange transaction acts as an arms-length counterparty and does not, except as required by law, have any obligation or duty to consider the interests of any counterparty, including the client, when entering into that foreign exchange transaction. The use of an affiliated principal foreign exchange desk provides operational efficiencies in the execution of the client's foreign exchange transactions that State Street believes many other principal foreign exchange dealers may be currently unwilling or unable to provide. For example, SSBTC acting in its role as a principal dealer in the foreign exchange markets, will trade on original estimates provided by a client's data agent then subsequently replacing with finalized or actual subscription and redemption figures, which require subsequent cancellations and rebooks of the foreign exchange transactions.

In addition, foreign exchange hedging trades are or may be entered into on the client's behalf on or through one or more electronic platforms that are owned and operated by State Street or one of its affiliates or in which State Street or one of its affiliates has an economic interest. These and other conflicts of interest are set out in a detailed document titled State Street Currency Management Services Description of Services and Conflicts of Interest which is made available to State Street's clients in advance of their use of State Street's currency management services.