



# Depository Receipts<sup>1</sup> Foreign Exchange Pricing Disclosure<sup>2</sup>

Date: June 1, 2023

The Bank of New York Mellon ("**BNY**") prices its Depository Receipts ("**DR**") foreign exchange transaction payments ("**FX Transactions**") at:

- (i) the Benchmark Rate (for Developed Currencies) adjusted by a spread of 20bps for Developed Currencies; or
- (ii) the BNY Reference Rate adjusted by a spread of 20bps for Emerging Currencies, Fixed Currencies and Frontier Currencies.

The currency pair in the FX Transaction must include a Developed Currency in the pair. FX Transactions that do not include a Developed Currency are not supported.

If the currency pair involved in the FX Transaction is not, in BNY's discretion, a commonly traded currency pair (e.g. SGD KRW), then BNY will price the FX Transaction using commonly traded currency pairs (i.e. USD SGD and USD KRW). While this may involve pricing the FX Transaction using two transactions (and accordingly, two BNY Reference Rates or Benchmark Rates may apply, one for each transaction), BNY will only apply the 20bps spread on one transaction (e.g. USD KRW).

BNY will enter a FX Transaction only if the transaction can be concluded on a reasonable basis in accordance with the applicable deposit agreement or DR certificate.

The rate applicable to a FX Transaction will be made available in notices distributed pursuant to the applicable deposit agreement or DR certificate. The rate of exchange or the amounts exchanged or paid will be adjusted for local fees, taxes, and forward points as applicable.

## **BNY does not act as fiduciary or advisor**

When executing FX Transactions, BNY acts as principal counterparty, trading for its own account. In no event will BNY be acting as agent, advisor, broker or fiduciary on any FX

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<sup>1</sup> This disclosure applies to all BNY DR FX Transactions where the FX Transaction is executed by BNY unless alternative disclosure is made available by BNY.

<sup>2</sup> This disclosure is for informational purposes only and BNY may update or amend this disclosure at any time without prior notice.

Transaction, notwithstanding the fact that it or its affiliates may act in a different capacity in respect of other services they may provide.

### **No assurance that foreign exchange (“FX”) rate is the most favorable available**

BNY has no obligation to provide the most favorable FX rate available in the market for any FX Transaction and makes no representation that any FX Transaction reflects such rate. Rather, each FX Transaction will be priced in accordance with the methodology set forth herein. BNY makes no representations, warranties or guarantees as to whether the price or the pricing methodology used to price a FX Transaction yields a fair market price.

### **BNY earns revenue on FX transactions**

BNY earns revenue on FX Transactions. The amount of revenue earned by BNY is based on, among other things, the difference between the rate it assigns to the FX Transaction and the rate that it pays and receives for purchases and sales of currencies when trading for its own account. BNY retains any revenue earned when trading for its own account, including, but not limited to, any revenue earned from offsetting trades.

BNY has no obligation to “match” (or fund) a FX Transaction by entering into a mirror transaction with another counterparty, although it may do so for certain transactions or currencies in its sole discretion. BNY has no obligation to offset the risks arising from FX Transactions, but it may do so. If BNY elects to offset the risk arising from FX Transactions, any such offsetting transactions will be solely for its own account, and may be entered into on a portfolio basis, offsetting the net risk of multiple FX transactions entered into by BNY with its customers. Offsetting transactions, if any, will therefore not necessarily correspond to any individual FX Transaction; accordingly, offsetting transactions may be executed at a rate better or worse than the rate on any individual FX Transaction. Because BNY acts as principal and not as agent, BNY does not pass through the rates BNY receives in any offsetting transactions. The decisions BNY makes as to whether, and if so when and how, to enter into any offsetting trades, as well as other factors (including, but not limited to, liquidity and market volatility), affect the revenue BNY earns on FX Transactions.

### **Definitions**

**Benchmark Rate** is the hourly WM/Refinitiv foreign exchange benchmark intraday spot rate provided by Refinitiv between 03:00 London time and 21:00 London time. The day and time applicable to the FX Transaction is a time determined by BNY and is a day and time after all BNY’s internal pre-pricing requirements are concluded. For some FX Transactions, multiple days and times may be applicable. This usually occurs when the DR payment is large or is received in multiple parts. When multiple fixing days or times apply for an FX Transaction, BNY will calculate a weighted average rate.

BNY will assess whether, in its discretion, the WM/Refinitiv rates accurately reflect the market for the currency pair at such time, as estimated by BNY. If, in BNY's discretion, the rate does not accurately reflect the market, BNY will consult other sources and use an alternate source that provides a rate that, in BNY's estimation and discretion, provides the most accurate market rate. The sources consulted will include other electronic rate sources (e.g., another Reuters RIC, Bloomberg) and rates quoted by third party dealers or BNY trading desk(s), participating in the interbank market for the relevant currency pair. If an accurate rate is not available based on such sources, then BNY will determine the rate in a commercially reasonable manner.

The rate from WM/Refinitiv may not accurately reflect the market for a variety of reasons: for example, among other things, it may be stale or dated, inconsistent with rates on actual trades of which BNY is aware, inconsistent with rates reported on other trading systems or other rates quoted to BNY by dealers, sub-custodians or local liquidity providers, or involve a currency pair that is not commonly traded.

**BNY Reference Rate** is BNY's determination of its cost of funds for a FX Transaction. The BNY Reference Rate is calculated as the weighted average of the rates at which Funding Transactions are executed for the FX Transaction. Funding Transactions for a FX Transaction can occur over multiple days and multiple times. This usually occurs when the DR payment is large or is received in multiple parts.

**Currencies** are classified into the following buckets

<b>Currencies</b>				
	<b>Developed</b>	<b>Emerging</b>	<b>Fixed</b>	<b>Frontier</b>
	AUD, CAD, CHF, CNH, CZK, DKK, EUR GBP, HKD, HUF, ILS, JPY, MXN, NOK, NZD, PLN, RON, RUB, SEK, SGD, TRY, USD, ZAR	BGN, BRL, CLP, CNY, COP, IDR, INR, KRW, MAD, MYR, PEN, PHP, THB, TWD	AED, BHD, BMD, JOD, KWD, OMR, QAR, SAR	ARS, BDT, BWP, CRC, EGP, GHS, ISK, KES, KZT, LKR, MUR, MWK, NAD, NGN, PKR, PYG RSD, TND, TZS, UGX, UYU, VND, XOF, ZMW, ZWL

**Funding Transactions** are one or more FX transactions that BNY concludes in the interbank or local currency market to cover, offset or manage BNY's FX exposure from the FX Transactions. For the avoidance of doubt, BNY may use its own local trading desk(s) as an independent liquidity provider as it would any other external liquidity provider. In this case, BNY's local trading desks may impose their own trading spreads separate and in addition to the 20bps above. The Funding Transactions to be concluded on any business

day will be determined by BNY by currency pair. The Funding Transactions are solely for the account of BNY. The Funding Transactions generally will not correspond to or match the FX Transaction but may do so. The Funding Transactions details for Emerging, Fixed and Frontier currencies are available on request.

BNY's decisions regarding the timing and aggregation of Funding Transactions may result in more favorable or less favorable pricing.

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PYG added as a Frontier Currency list as of July 12, 2024.