

# Danske Bank FX Spot Order Disclosure

This document has been prepared by Danske Bank A/S (“Danske Bank”, “we” or “us”) and describes the key principles and standard business procedures of Danske Bank when entering into foreign exchange spot transactions (“FX spot transactions”, “FX spot orders” or “orders”) with our customers (“you”).

We strive to maintain the highest degree of professionalism and the highest standards of business conduct in the FX market. Danske Bank is committed to act in a manner that is in line with the principles of the [FX Global Code](#) and the procedures described in this document reflect key aspects from these principles.

The document is provided for information purposes only and does not constitute a binding legal agreement between you and us. Any failure by Danske Bank to adhere to the principles stated in this document does not in any way give a cause of action against Danske Bank or any of Danske Bank’s employees.

## 1 Dealing capacity

Danske Bank accepts orders for FX transactions both electronically, via Multilateral Trading Facilities (MTFs) and our proprietary trading platforms, as well as via chat, email, and phone.

When you place an FX spot order with us, and we accept the order, Danske Bank acts in the capacity of either “principal” or “agent”.

As principal, Danske Bank is exposed to risks in connection with an FX spot order, including both settlement risk and varying degrees of market risk. Therefore, in acting in the capacity of principal, Danske Bank must consider both the interests of our clients as well as Danske Bank’s own interests and willingness to accept the aforementioned risks. We have no obligation to execute the order until the terms of the order have been finally agreed by both parties.

When acting in the capacity of agent, we execute the FX spot order on your behalf without taking on any market risk in connection with the order.

If placing an FX spot order using our FX algorithmic trading service (“FX Algo service”), we act as agent. To get access to

Danske Bank’s FX Algo service, you must enter into an agreement with specific terms and conditions. For all other FX spot orders, we act as principal.

## 2 Segregation of Duties

In Danske Bank, we have divided FX staff into different roles with the purpose of defining line of duties and segregate information flow.

### 2.1 Traders

The traders execute orders, monitor limit orders, and manage risk resulting from the activities carried out by the daily business. The activities of the trader can be performed by a physical person as well as an algorithm performing similar tasks.

The trader must adhere to an internal risk mandate allocated by the management of Danske Bank. Traders are only allowed to access information shared between the customer and Danske Bank on a need-to-know basis with the purpose of benefitting order execution of that particular customer’s mandated order.

### 2.2 Sales

Danske Bank’s sales staff within FX maintains contact with customers and is the intermediary between the executing trader and the customer. The sales staff is responsible for pre-trade controls of manual transactions. The sales staff is not allowed to manage risk and has not been allocated any risk mandate. The sales staff is not allowed to access information in relation to a trader’s risk or positions.

## 3 Order handling principles

### 3.1 Pre-trade order validation

Danske Bank accepts orders on a “Request for Quote (RFQ)-basis” (see section O) as well as “mandated orders” (see section O). All FX spot orders are subject to, and are verified through, an internal pre-trade order validation process, either electronically or manually, depending on the chosen channel for the order.

The purpose of the order validation process is to ensure (i) that the order contains all relevant and necessary information and data points to be able to execute the order, (ii) a sufficient risk and credit acceptance from our side, (iii) adherence to our regulatory requirements, such as anti-

money laundering requirements, and (iv) adequate settlement and trading limits in place.

### 3.2 RFQ and Streaming

An RFQ order is an FX spot order submitted to Danske Bank with a request for a price quote for a specific currency pair and volume with the intention to execute a transaction.

Danske Bank also offers customers to receive continuously streamed FX spot prices that are instantly tradeable, after passing pre-trade validation.

Both electronic RFQ and Streaming orders are subject to our “last look” control.

#### 3.2.1 Last look

Danske Bank’s last look control is an economic price check logic used to identify if RFQ and Streaming orders are within Danske Bank’s price tolerance for execution.

This last look control is applied immediately after the order has passed Danske Bank’s pre-trade order validation. The last look control is generally conducted within a 10 millisecond-timespan. However, this timespan may be influenced by factors out of Danske Bank’s immediate control, such as, by way of example, system or IT infrastructure issues.

In each case, the RFQ order is compared to a refreshed price. If the refreshed price has not moved in either direction from the RFQ order price by more than a defined price tolerance, Danske Bank will accept the trade request. If the refreshed price request differs from the RFQ order price by more than the relevant price tolerance, Danske Bank will reject the trade request.

The last look control is applied symmetrically, meaning that the logic is applied for price movements in either direction, and seeks to protect against trading on stale or incorrect prices due to technical errors, pricing errors or volatile market conditions.

The receipt of an RFQ order, as well as any additional information associated with a RFQ order, does not influence any pricing or hedging activity undertaken by Danske Bank prior to the acceptance of the RFQ order. If an RFQ order is rejected, no information associated with that particular RFQ order is used to influence any pricing or hedging activity subsequently undertaken by Danske Bank.

Danske Bank’s last look disclosure policy is available in its entirety here: [Danske Bank Last Look Policy](#).

If an RFQ order is received through manual channels, the last look control does not apply.

### 3.3 Mandated orders

A mandated order is an FX spot order with certain defined execution criteria set by the customer.

A mandated order is executed at Danske Bank’s own discretion. In executing a mandated order, we follow a number of principles, which are set out below, ensuring a fair and balanced execution of all orders with the aim of achieving the best possible execution result for our customers.

When a mandated order is received through one of the electronic channels, the order receives electronic timestamps for when the order was registered and for when the order was executed.

For orders received outside the electronic channels, the timestamp is added when the order is entered into our Order Management System. As the non-electronic channels are relying on manual input from Sales staff into the pricing system, this will happen as soon as reasonably practicable.

#### 3.3.1 Pre-hedge

When executing mandated orders, Danske Bank may choose to pre-hedge the order. This is done to obtain the best possible execution result for our customers as well as to manage our own risk exposure in connection with the transaction.

Unless Danske Bank is specifically instructed by you not to engage in any pre-hedging activities for the specific order, Danske Bank can, at its own discretion and risk, pre-hedge. Pre-hedge will be undertaken in a manner that is meant not to disadvantage the customer or disrupt the market.

#### 3.3.2 Aggregation

Danske Bank only offers aggregation services when executing transactions through our FX Algo services. Agent based transactions will not be disclosed internally during execution.

Upon execution of the FX spot order, the customer receives a Transaction Cost Analysis (TCA) report, enabling evaluation of the execution performance.

#### 3.3.3 Order discretion and partial fill

To achieve the best possible outcome for our customers, Danske Bank determines, at its own discretion, how to execute mandated orders. This may cause an order to be partially filled, meaning that only a smaller proportion of the

order may ultimately be executed (and not the order in its entirety).

If two or more mandated orders are received for the same currency pair, the orders are executed in the sequence they have been submitted to us as determined by the order's timestamps.

#### **3.3.4 Limit orders**

We offer our customers the ability to place a limit order (either "take profit" and/or "stop loss") with us. This is an order to either buy or sell a position once the market reaches a specified profit level or threshold, i.e. an order with a specified amount and currency against another specified currency at a specified rate or when crossing a specified rate.

Limit orders stay active with us for a period of up to 90 calendar days unless you require a shorter period during which the order is valid. Any renewal of a limit order is regarded as a submission of a new order with us. Such new order receives a new timestamp based on the time of submission. A mark-up may be applied for limit orders.

When placing limit orders with us, you must specify the relevant trigger conditions for execution of the limit order, i.e. the relevant currency, price execution level and limit price, notional amount, and the period during which the order is valid. The execution of limit orders is based on this information but are ultimately dependent on the market activities.

For take profit orders, there is no guarantee that the order will be fully filled. Take profit orders for the same currency

pair and price are executed in the sequence they been submitted to us as determined by the order's timestamp.

Once the price execution level and limit price has been breached, stop loss orders are executed at the nearest level possible to the relevant trigger conditions as determined in Danske Bank's sole discretion in good faith and considering the market conditions at that point in time.

By way of example, once a limit price of "X" (as specified by the customer) is breached, the stop loss order is executed by Danske Bank at the nearest level possible to "X" as determined by us. Hence, a stop loss order can never be executed at the exact limit price of "X". Stop loss orders in the same currency pair and price limit will not consider the sequence for when the order was submitted.

Danske Bank can engage in pre-hedging with the intention to benefit the order. The overall execution price reflects the pre-hedging activity that is to the benefit of the customer.

#### **3.3.5 Benchmark fixing orders**

Danske Bank accepts FX spot orders to be executed at a benchmark rate, which is determined by a reference price in the market. We refer to our sales staff for more details on the benchmark fixing orders.

Because we act as principal towards other customers and, as such, may have parallel activities to facilitate other customer executions or because we act as market maker for the purpose of providing market liquidity, Danske Bank may enter into FX transactions unrelated to a specific fixing order. This activity, or other related activity, may influence the FX fixing. However, Danske Bank will act in a manner to reasonably minimize market impact and mitigate the risk

that its other trading activity is executed in a way that could influence an FX fixing. A mark-up may be applied for benchmark fixing orders.

#### **4 Mark-up**

When you receive a price from Danske Bank to execute an FX spot order, it is an "all-in" price, which consists of the market rate of the currency pair, determined by Danske Bank, plus a mark-up.

A mark-up consists of both the costs related to the execution (execution venue fees, clearing and settlement fees and other costs paid to third parties involved in the execution) as well as a sales margin.

Unless otherwise agreed with the customer, the sales margin is discretionary determined by Danske Bank considering different factors deemed appropriate. Such factors may include the overall relationship between the customer and Danske Bank, the size and nature of the order, as well as prevailing market conditions. In all cases, the sales margin must be commercially reasonable and cannot exceed our standard margin for the market for which the order is received. Our sales staff can inform about applicable standard margin.

#### **5 Confidential information**

Danske Bank has internal policies in place with the purpose of making sure that non-public information related directly or indirectly to our customers, their trading activity, positions or otherwise terms relating to a customer transaction ("confidential information"), is only shared within Danske Bank in accordance with applicable rules and market standards.

Danske bank may use confidential information about order execution to improve our execution capabilities, risk management or the overall sales relationship with customers. However, confidential information is only shared within Danske Bank on a "need-to-know" basis and where there is a legitimate need to do so.

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When sharing confidential information, this is done in good faith and with the intention of not impairing the interest of our customers. Prior to sharing confidential information, we have internal process in place with the purpose of making sure that any new potential conflicts of interest that may arise by the person receiving the confidential information must have been considered, mitigated and/or disclosed.

Danske Bank will not disclose confidential information to any external party unless specifically required to do so by applicable law.

#### **6 Market Colour**

Danske Bank regularly provides customers with general market information, which may include information regarding the general type of trading strategies that we observe or hear about in the market or specific categories of customers engaging in certain trading strategies.

Some of the information used to formulate our views of the market is derived from both general conversations with customers and from specific orders received from customers. However, when giving market colour, Danske Bank will never disclose confidential information or information that enables a third party to identify any confidential information.