

State Street Principal Foreign Exchange Services  
Description of Services and Certain Conflicts of Interest

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**Confidentiality.** This document contains confidential and proprietary information of State Street. State Street intends for this document to be for the benefit and internal use of, and distributed only to, actual and potential users of its principal foreign exchange services, or their professional advisors, so that such recipients may obtain a more comprehensive understanding of the services and the actual and potential conflicts of interest associated therewith. Each recipient shall keep this document confidential and shall not, without the prior written consent of State Street, publish, redistribute, make available or otherwise disseminate this document to any other person.

**Important Notice – Basis of Dealing.** In addition to your specific contractual arrangements with State Street, the following terms and conditions set forth the basis upon which State Street will provide its principal foreign exchange services. Your continued use of the principal foreign exchange services offered by State Street constitutes your consent to these terms and conditions, notwithstanding any communication by you to State Street to the contrary.

# State Street Principal Foreign Exchange Services

## Description of Services and Certain Conflicts of Interest

### IMPORTANT INTRODUCTION

State Street Bank and Trust Company and State Street Bank GmbH (collectively, “State Street”) act as a principal dealer and market maker in the foreign exchange market, employing a dedicated team of sales and trading professionals that provide liquidity to other third party foreign exchange dealers and to institutional investor clients in a number of foreign exchange instruments and in a wide range of deliverable and non-deliverable currency pairs (the “principal foreign exchange services”).

State Street provides foreign exchange execution solutions to its customers on a twenty four hour basis from trading desks located around the world. Although State Street acts as a principal counterparty with respect to the foreign exchange transactions it enters into through its principal foreign exchange services, its continued success is dependent upon its execution services meeting customer’s overall foreign exchange requirements. We believe that our foreign exchange customers are best served when they understand the markets in which they transact and the services that principal dealers and market makers, like us, provide. To help build that understanding, State Street strives to maintain an open and ongoing dialogue with its counterparties about actual and potential conflicts of interest and certain risks associated with the offering of its principal foreign exchange services. This document is intended to describe generally the principal foreign exchange services offered by State Street. This document also identifies actual and potential conflicts of interest that may arise between State Street and you in connection with its offering of those services.

Your participation in the foreign exchange markets entails certain risks. This document is intended to supplement other disclosures made to you by State Street relating to the material characteristics of and risks associated with the types of foreign exchange transactions that it may enter into with you and conflicts of interest that may be applicable to its principal foreign exchange services. These other disclosures include, without limitation, the International Swaps and Derivatives Association, Inc. General Disclosure Statement for Transactions and the Disclosure Annex for Foreign Exchange Transactions, as well as the Investment Manager Guide and the Asset Owner Guide, each of which, as amended from time to time, is hereby expressly incorporated by reference into this document. To the extent that this disclosure statement conflicts with any foreign exchange trading master or similar agreement entered into with you by State Street, the terms of such agreement will govern. Our sales traders are able to answer or arrange an answer to any questions you may have regarding our principal foreign exchange services or your particular contractual or other arrangements with State Street.

**While State Street has attempted to identify in this document the material conflicts of interest associated with its principal foreign exchange services, State Street may not have identified all such conflicts of interest, and other conflicts of interest may arise in the future.**

**Your use of the principal foreign exchange services offered by State Street will be deemed to constitute your consent for State Street to provide such principal foreign exchange services to you even though actual or potential conflicts of interest exist, including those identified herein, or in any other disclosure incorporated by reference or otherwise provided to you, in relation to such services.**

There are services other than the principal foreign exchange services described herein that also may be provided to you by us or one of our affiliates, including without limitation, agency securities lending, enhanced custody, agency foreign exchange, currency management, securities and futures brokerage or dealing, transition management, derivatives, custody, trustee, financing and advisory services. The terms and conditions on which we offer our principal foreign exchange services with respect to a particular counterparty are established by our contractual or other arrangements with that counterparty. Nothing in your agreements or other arrangements with us or any of our affiliates with respect to any of these other services, including, without limitation, any custody or trustee services that may be provided to you, will be deemed to modify the terms or conditions of, or the relationship in which the parties act under, any agreement or other arrangement between you and us in relation to our principal foreign exchange services. State Street does not offer its principal foreign exchange services in the capacity of a fiduciary, trustee or agent. Without limiting the generality of the foregoing, the status of State Street or one of its affiliates as a fiduciary, agent or trustee to you or one of your affiliates under any other contractual arrangement or service relationship will not imply or create a similar relationship or related obligations with respect to the principal foreign exchange services described herein. State Street and its affiliates, each in its capacity as a provider of such other services, may charge fees, including transaction-based or volume-based fees, as may be agreed by a counterparty or a counterparty's independent fiduciary or agent from time to time. None of the fees charged by State Street and its affiliates in connection with the provision of such other services are or should be considered to be fees related to our principal foreign exchange services.

#### **WHAT IS THE ROLE OF STATE STREET IN OFFERING ITS PRINCIPAL FOREIGN EXCHANGE SERVICES?**

State Street acts solely in the capacity of a principal counterparty (i.e., as an arm's length contractual counterparty) in entering into foreign exchange transactions or foreign currency derivative transactions with you in connection with its principal foreign exchange services, and, in such capacity, does not undertake in any way to act as your financial, tax or other advisor, broker, agent, representative, trustee or fiduciary in entering into those transactions. This is the case whether such foreign exchange transaction is a spot, deliverable or non-deliverable forward, swap, option or other foreign exchange transaction and whether or not such transaction provides for net cash settlement in a single currency. State Street will seek to profit from its principal foreign exchange services by entering into foreign exchange transactions with you at rates more favorable to State Street than its own costs to obtain the same currency, including at rates more favorable to State Street than those that may be quoted or available in the so-called inter-bank market. The difference in exchange rates will form part of the profit or loss that State Street earns in connection with its principal foreign exchange services. State Street is not obligated to account to you for any such profit. State Street does not separately charge a fee or commission in connection with the provision of its principal foreign exchange services.

State Street and its affiliates may transact or otherwise engage in business with you in capacities other than as a principal counterparty to a foreign exchange transaction. State Street does not enter into a foreign exchange transaction with you acting in the capacity of a custodian, trustee, fiduciary or agent, and its principal foreign exchange services are not provided or being performed under any agreement or other arrangement with you pursuant to which State Street or any of its affiliates act as custodian, trustee fiduciary or agent or with the intent that its obligations as custodian, trustee, fiduciary or agent extend to any of our principal foreign exchange services.

There are important differences in the nature of our relationship when State Street acts in the capacity of a principal counterparty to a foreign exchange transaction as opposed to the capacity in which State Street or any of its affiliates may act when providing any of these other services. As a principal dealer and market maker, State

Street acts as a counterparty to a foreign exchange transaction with you. This means that the interests of State Street are directly adverse to yours when State Street negotiates or sets the terms of any transaction or related documentation or otherwise make determinations as to the exercise of its rights thereunder. While State Street provides execution services and market commentary and other information that it believes will facilitate a customer's management of its overall foreign exchange risks, State Street does not, except as required by law, consider the interests of its respective counterparties, including you and, where applicable, your investment manager, when entering into any foreign exchange transaction. This is the case even where you are also a customer of the division of State Street that provides custody or trustee services or where State Street might otherwise have a fiduciary or agency relationship with you with respect to some other service.

There may be circumstances where, due to its broad access to the foreign exchange and other markets, knowledge of the foreign exchange positions of other participants in the foreign exchange market, and knowledge gained in connection with the operation of its other business lines, State Street will have an information advantage compared to you. There may also be circumstances, due to this information advantage or other considerations, that cause it to believe that a foreign exchange transaction may not be in your best interests. In such circumstances, State Street has no duty or obligation to inform or disclose to you any of the information that it believes is relevant to its trading decision or that it believes such foreign exchange transaction may not be in your best interest. Accordingly, State Street will have interests that do not align with, and are directly adverse to, yours.

#### **DOES STATE STREET EVER ENTER INTO FOREIGN EXCHANGE TRANSACTIONS AS AGENT?**

Yes. State Street acts solely in the capacity of a principal counterparty in entering into foreign exchange transactions or foreign currency derivative transactions with you in connection with its principal foreign exchange services. State Street, however, offers other services (e.g., currency management, agency foreign exchange and transition management) where it expressly agrees in writing to act as your agent in connection with executing foreign exchange transactions on your behalf, in which case it will act as an agent only to the extent specified in those contractual arrangements. Unless and solely to the extent that you have entered into a written contractual arrangement with State Street that expressly provides that State Street is acting as your agent in executing foreign exchange transactions on your behalf, State Street will be acting solely in the capacity of a principal dealer and market maker and its interests will be directly adverse to yours in entering into foreign exchange transactions or foreign currency derivative transactions with you.

#### **HOW DOES STATE STREET HANDLE TRADING AND OTHER INFORMATION OF ITS COUNTERPARTIES IN CONNECTION WITH THE PROVISION OF ITS PRINCIPAL FOREIGN EXCHANGE SERVICES?**

State Street understands that you consider your foreign exchange transaction order and execution information as confidential. State Street will share information regarding your foreign exchange orders and executed transactions internally for risk management, operational, regulatory and other purposes and, to the extent necessary to achieve effective transaction execution in connection with its principal foreign exchange services, externally with third parties. We also refer you to the section herein entitled "*Outsourcing*" for a description of our outsourcing arrangements in respect of certain operational and finance functions relating to our principal foreign exchange services.

In deciding whether and on what terms to enter into a foreign exchange transaction with you, particularly where the foreign exchange transaction is of a large notional size or involves a currency or instrument in which liquidity may be limited, State Street may need to understand whether it is able to manage its market risk with respect to

liquidity and pricing by entering into one or more foreign exchange transactions with independent third parties prior to entering into a transaction with you. In addition, if State Street has proposed to take on the risk of a foreign exchange transaction with you, it will manage the resulting risk (including market, liquidity and credit risk) on an individual, portfolio or other basis and may need to execute one or more risk mitigating foreign exchange transactions with third parties prior to entering into a transaction with you. These risk mitigating foreign exchange transactions will require, among other things, the disclosure by State Street of certain economic terms relating to the foreign exchange transaction with you (e.g., currency pair, buy or sell) internally or to independent third parties.

State Street will use information relating to executed foreign exchange transactions, including foreign exchange transactions entered into with you, on an individual and aggregate basis, to assess the impact on market, liquidity and credit risks. State Street also will use information relating to its own trading positions, price discovery activity by customers and other foreign exchange dealers, unexecuted orders (e.g., limit, stop loss and take profit orders), executed foreign exchange transactions with customers and third party foreign exchange dealers and other available information relating to market, economic and political conditions in the jurisdictions in which it operates to shape its overall views of the foreign exchange market and, importantly, in determining the economic terms (e.g., exchange rate) on which it is prepared to enter into a foreign exchange transaction with you. State Street will use such information as well as its own transaction data internally, including for purposes of managing its overall risk position, and also share, either for a fee or other economic benefit, on a real-time basis or in the form of market commentary, anonymized and aggregated information with customers or other third parties that may consider such information useful when entering into foreign exchange transactions and managing their overall foreign exchange risks. The information shared by State Street may be categorized by product or currency pair, geography or industry. It is possible that an individual sales or market risk trader at State Street may take positions in foreign currency on behalf of State Street that are not consistent with the overall market views or other commentary expressed to you by another sales or market risk trader at State Street. The overall market views of our sales and trading personnel may change, sometimes rapidly, throughout the day based on trading patterns of our market counterparties and market, economic and political conditions in the jurisdictions in which it operates. State Street is not obligated to make available to you the information underlying its overall market views or all or any of the information in its possession that may be relevant to understanding such market views.

You should also be aware that State Street has regulatory and prudential obligations to supervise and otherwise oversee the operation of its businesses, including its principal foreign exchange services, and therefore discloses information internally (including, without limitation, to individuals within its risk, compliance and legal departments) and to affiliated entities, in each case to the extent it deems necessary or appropriate in order to maintain its control environment. State Street also is required from time to time to respond to requests for information from regulators worldwide.

State Street also takes the protection of its own information seriously and expects you to take steps to ensure that information provided to you by State Street is also treated as confidential at all times.

### **DOES STATE STREET ENGAGE IN FOREIGN EXCHANGE TRANSACTIONS FOR ITS OWN ACCOUNT AT THE SAME TIME IT MONITORS AND EXECUTES ORDERS WITH ITS CUSTOMERS?**

As a principal dealer and market maker in the foreign exchange market, State Street continuously takes positions in foreign currency for its own account. State Street may maintain for its own account significant inventories of certain currencies (i.e., long positions) or may be short certain currencies (i.e., short positions), thereby exposing it to the risks of market movements as a result of those positions. State Street may enter into those foreign

exchange transactions in order to take advantage of expected market movements in accordance with applicable law, to satisfy an existing open order of a customer, to ensure it has sufficient inventory to meet anticipated customer demand or to hedge its exposure to foreign exchange transactions that it has entered into or in the future may enter into with you or other market counterparties as part of its principal foreign exchange services.

Accordingly, State Street may enter into foreign exchange transactions for its own account prior to the execution of an open order that you have placed with State Street. State Street may enter into these foreign exchange transactions to satisfy an existing open order from you or another customer or otherwise, as described above. State Street also may, as noted above, engage in risk management activities prior to entering into or terminating any particular foreign exchange transaction with you. These risk management activities include, among other things, entering onto foreign exchange transactions identical or economically equivalent to the foreign exchange transactions that State Street may enter into with you or any other customer, entering into transactions in correlated currencies or products (e.g., futures) or establishing derivatives positions on any of the foregoing. To the extent the foregoing risk management activity occurs in advance of entering into or terminating any foreign exchange transaction with you, such activity is likely to increase in frequency and in magnitude as the actual foreign exchange transaction with you becomes imminent, particularly if it has been agreed with you that the exchange rate for that foreign exchange transaction is to be determined by reference to a published benchmark rate or an observable level in the foreign exchange market (e.g., benchmark or stop loss orders). In connection with its principal foreign exchange services, State Street enters into transactions in the foreign exchange market solely for its own account, and no foreign exchange transaction entered into by State Street in the inter-bank market or otherwise shall obligate State Street to enter into a foreign exchange transaction with you in the same currency pair or on the same economic terms as it effected the foreign exchange transaction, even State Street accepted an order from you in the relevant currency pair.

In those circumstances where you have instructed us to determine the period over which we will establish an execution price for an open order (e.g., an instruction to work an order over the course of the trading day, such as with an “at best” order, or in accordance with specific parameters), State Street may enter into one or more foreign exchange transactions with third parties at different times and at different rates in order to be able to execute the open order with you. State Street may, in these circumstances, also seek to fill your open order, in whole or in part, from its own inventory. State Street also may execute your open order by means of a trading algorithm that may cause State Street to enter into foreign exchange transactions prior to or as part of the process of executing an open order with you. We typically will have open orders from multiple customers for foreign exchange transactions in the same currency pair for execution at the same time or at the same level in the foreign exchange market. We reserve the right to determine the priority by which such open orders are handled and executed, which may differ from the sequence in which we received the underlying orders. In addition, State Street does not have any obligation to give priority to one type of open order over any other type that it has received from a customer. We refer you to the other sections of this disclosure statement for a description of how we set the exchange rates for foreign exchange transactions that we enter into with you.

As a principal dealer and market maker in the foreign exchange market, State Street has sales and trading personnel in multiple jurisdictions globally executing foreign exchange transactions whenever the foreign exchange markets are open for trading. Accordingly, State Street executes foreign exchange transactions across multiple currencies and instruments for its own account on a continuous basis throughout the global trading day with one or more other principal foreign exchange dealers or institutional clients. Notwithstanding the existence of one or more open orders from customers, State Street will continue to establish, maintain, modify and terminate positions in foreign currency for its own account, which may include foreign exchange transactions identical or

economically equivalent to the foreign exchange transactions that State Street may enter into with you or any other customer. Consequently, State Street may be competing with you in the foreign exchange market for risk management or ordinary course market making purposes at the same time it holds an open order from you. These global trading activities will, subject to compliance with applicable laws and regulations, result, on any given day, in a trading desk other than the trading desk handling an open order of a particular customer (the “local customer”) executing a transaction for the benefit of State Street or another customer in an amount or at a rate that could satisfy the open order of the local customer. State Street typically will have positions in foreign currency in its own account that are the same, similar, different or opposite to the open orders or positions of its customers.

You should also be aware that the execution of a foreign exchange transaction by State Street for its own account in the circumstances indicated above may impact the current market price of the relevant currency pair that is the subject of an open order from a customer. In addition, State Street may unwind or terminate, in whole or in part, any foreign exchange transaction with a third party prior to, at or after the time at which (i) the exchange rate for a foreign exchange transaction with a customer is negotiated or otherwise has been set; (ii) the external market or benchmark rate to which the foreign exchange transaction makes reference is calculated or published; (iii) the foreign exchange transaction becomes due to settle; or (iv) a party’s right to require settlement of the foreign exchange transaction becomes exercisable. These activities may impact the exchange rates for any currency pair directly or indirectly, which, in turn, may have an adverse impact on the exchange rate at which State Street is willing to enter into a foreign exchange transaction with you or the value of an outstanding foreign exchange transaction, and may also trigger certain provisions of an open order, such as stop loss or take profit orders, or an outstanding foreign exchange transaction, such as option strike prices and barriers. The foregoing impact likely would be more significant in circumstances where the trading activity involves less liquid currency pairs.

**ON WHAT BASIS DOES STATE STREET QUOTE EXCHANGE RATES FOR THE PRINCIPAL FOREIGN EXCHANGE TRANSACTIONS IT ENTERS INTO WITH ITS CUSTOMERS?**

The foreign exchange market is an over-the-counter market. Accordingly, there is no single foreign exchange market rate for a currency pair at any given time, nor is there consolidated reporting of recently executed transactions as exists in the equity markets. State Street quotes rates (e.g., bid and offer spreads) to its foreign exchange customers based on a number of factors, including, among other things, the size and currency of the requested foreign exchange transaction, the exchange rates quoted by other principal foreign exchange dealers, the views of the individual sales or market risk trader as to the level of current and expected market volatility and liquidity in the relevant currency, its existing inventory in the relevant currencies, its expectation of profit on the particular foreign exchange transaction, internal credit and other limitations for the relevant customer, knowledge of the foreign exchange positions of other participants in the foreign exchange market, price discovery activity by customers and third party foreign exchange dealers, the current and expected level and volume of foreign exchange and other activity with the relevant customer over time and knowledge by the sales and trading personnel as to whether the particular foreign exchange order is being competitively bid concurrently with other principal foreign exchange dealers, and the overall general relationship between the relevant customer and State Street and its affiliates. This means that, in the course of conducting its principal foreign exchange trading services, State Street will quote and negotiate different rates with different customers for similar foreign exchange transactions, even when those rates are quoted contemporaneously by the same trading desk or by the same individual sales or market risk trader. Similarly, State Street may quote a rate to a customer at any given time that is not as favorable an execution rate as may be quoted by another third party foreign exchange dealer at the same time with respect to the same currency pair and notional amount. You should determine prior to executing a foreign exchange transaction with us that State Street offers an exchange rate and execution quality that is

consistent with your needs and is favorable relative to that offered by third party foreign exchange dealers. State Street also may, in certain circumstances as described elsewhere herein, need to manage its market risk with respect to a particular foreign exchange transaction by sourcing the requisite liquidity, in whole or in part, by means of entering into one or more market transactions with third parties. State Street is not obligated in these or in any other circumstances to quote or execute your open foreign exchange order at a rate that is equal to or otherwise determined by reference to the price at which it obtained the relevant liquidity. You should assume that any rate that is quoted to you in connection with a foreign exchange transaction is not at a rate that is equal to or in any way determined by reference to the price at which we obtained the relevant liquidity. You should assume that any rate that is quoted to you by State Street must be accepted within a limited period of time or otherwise shall be deemed to have been rejected by you. State Street also may affirmatively rescind any rate quoted to you at any time in its sole discretion.

State Street also enters into principal foreign exchange transactions through services referred to as “indirect” foreign exchange services, which are only offered to customers that also custody their assets at State Street. We refer you to the *Investment Management Guide* for a more detailed description of the methodology by which we set the rates for foreign exchange transactions entered into under the indirect foreign exchange execution services offered by State Street.

State Street may enter into foreign exchange transactions with one or more other counterparties that have trading strategies or objectives that are or could be the same as, similar to or adverse to yours, which may create potential conflicts of interest. State Street has no duty to inform you of the nature or identity of these other trading counterparties or their respective trading strategies or objectives. In addition, as a principal dealer and market maker in the foreign exchange market, State Street continuously provides bid offer quotations to market counterparties and takes positions in foreign currency for its own account. This activity, together with its knowledge of aggregated information relating to unexecuted orders and executed foreign exchange transactions of you and other participants in the foreign exchange market and other available information relating to market, economic and political conditions in the jurisdictions in which it operates, may adversely affect the exchange rate at which State Street is willing to enter into a foreign exchange transaction with you.

As stated above, State Street acts solely in the capacity of a principal counterparty (i.e., as an arm’s length contractual counterparty) in entering into foreign exchange transactions with you in connection with its principal foreign exchange services. Accordingly, State Street does not owe you any best execution or other similar duty in connection with the execution of any foreign exchange transaction executed with you pursuant to its principal foreign exchange services, and you should not rely on State Street to protect your interests in relation to the pricing or other execution elements of any such foreign exchange transaction.

#### **HOW DOES STATE STREET GENERALLY TREAT TIME AND PRICE-BASED ORDERS?**

As stated elsewhere, State Street acts solely in the capacity of a principal counterparty (i.e., as an arm’s length contractual counterparty) in entering into foreign exchange transactions with you in connection with its principal foreign exchange services, including time or priced based orders. If you request that State Street execute a “take profit,” “stop loss,” “at best” (i.e. best efforts) or similar price-based foreign exchange order, State Street will typically seek to fill that order, in whole or in part, from its own inventory or by taking a long or short position in the relevant currencies at the time of execution. In those circumstances, however, where the foreign exchange transaction order is of a large notional size or involves a currency in which liquidity may be limited, State Street will seek to manage its market risk with respect to that transaction by entering into one or more foreign exchange transactions with third parties prior to the time of execution of your order. Notwithstanding the forgoing, State

Street is not obligated to enter into or satisfy any “at best” or other price-based order and does not under any circumstances guarantee that any “at best” or other price-based order will be satisfied, in whole or in part, even if in its professional judgment the level for the relevant price-based order has been reached. State Street will use its professional judgment, based on available market information, to determine whether a level for a “take profit” or “stop loss” or similar price-based order has been reached. State Street also does not guarantee that if the relevant “take profit” or “stop loss” level for a particular order is reached that State Street will be willing to enter into a foreign exchange transaction to satisfy that order, in whole or in part, at an exchange rate equal to or near the relevant level. In periods of significant volatility or severe illiquidity in a particular currency pair, or where the foreign exchange transaction is of a large notional size, State Street may only be willing to enter into a foreign exchange transaction with you at an exchange rate significantly below or above, as applicable, the relevant level for the “stop loss” or “take profit” order. In addition, as discussed elsewhere herein, State Street may enter into one or more liquidity sourcing or risk mitigating foreign exchange transactions with third parties prior to execution of an “at best” or price-based order that you have placed with State Street. These risk mitigating foreign exchange transactions may be entered into at exchange rates that are more favorable to State Street than the exchange rate quoted to you in respect of any “at best” or “take profit” or “stop loss” order. As discussed above, State Street is not obligated in these or in any other circumstances to quote or execute your open foreign exchange order at a rate that is equal to or otherwise determined by reference to its costs to source the relevant liquidity. The difference in exchange rates will form part of the profit or loss that State Street earns in connection with its principal foreign exchange services. State Street has no obligation to account to you for the amount of this difference. State Street may in its sole discretion satisfy your price-based orders in part, and not in whole.

**DO YOU EXECUTE ORDERS AT SPECIFIED TIMES USING THIRD PARTY BENCHMARK RATES AND ARE THERE CONFLICTS OF INTEREST OR OTHER SIGNIFICANT RISKS SPECIFICALLY RELATING TO THESE BENCHMARK ORDERS THAT I SHOULD BE AWARE OF?**

State Street does enter into foreign exchange transactions with customers for which the exchange rate is determined by reference to or based on (i.e., at an agreed mark-up or down) a specific foreign exchange benchmark rate published by either an affiliated or unaffiliated third party. These benchmark orders create specific challenges in terms of execution and management of market risk by State Street. The following discussion relates specifically to benchmark orders for which the exchange rate is determined by reference to the benchmark rates calculated by The World Markets Company. The World Markets Company is an affiliate of State Street. We refer you to the section below entitled “What Is Your Affiliation With The World Markets Company and How Do You Use Their Benchmark Rates?” for a description of our relationship with The World Markets Company, plc (the “World Markets Company”).

The foreign exchange benchmark rates published by the World Markets Company are based primarily on actual transaction execution data or, with respect to the more illiquid currencies, indicative bid and offer rates, in each case sourced from affiliated and unaffiliated interbank platforms during a set period of time immediately preceding and following the relevant benchmark time (the “fixing window”). If State Street receives an order from a customer to execute a foreign exchange transaction at a benchmark rate (or at a rate determined by reference to or based on the benchmark rate) published by the World Markets Company, it will seek to execute the requested foreign exchange transaction at or by reference to the relevant benchmark rate, unless the customer otherwise cancels its order in a timely manner. The actual benchmark rate, however, is not known by State Street at the time that it accepts the benchmark order, and will only be calculated and published by the World Market Company following the conclusion of the fixing window.

In these circumstances, State Street faces the challenge of finding an appropriate and effective method for hedging the market exposure arising from entering into a foreign exchange transaction at an exchange rate that is not yet known. The challenge is exacerbated to the extent that State Street accepts similar benchmark orders from more than one customer, as the aggregate notional amount and direction of its net exposure position may fluctuate, sometimes significantly, prior to the start of the fixing window for the relevant benchmark fixing time. These challenges may lead to risk management practices by State Street on any particular day that involve hedging all or a portion of its net exposure through the execution of foreign exchange transactions prior to or during the relevant fixing window. It is highly likely that other foreign exchange dealers and market participants face similar challenges and will engage in similar risk mitigating strategies. This may increase significantly the volume of foreign exchange transactions executed during a particular fixing window, which in turn may impact the benchmark rate calculated and published by the World Markets Company in a direction that is adverse to you, as well as the volatility of overall foreign exchange markets. The above challenge may be present on any particular day and with respect to any particular benchmark fixing time. In addition to the use of benchmark rates published by the World Markets Company, State Street uses foreign exchange benchmark rates published by un-affiliated third parties that present similar challenges and that require similar risk management practices by State Street. Except as otherwise agreed in writing, State Street is not obligated to enter into or satisfy any benchmark or other time-based order and does not under any circumstances guarantee that any benchmark or other time-based order will be satisfied, in whole or in part.

State Street engages in a number of other ordinary course business activities in connection with its principal foreign exchange services, including sourcing liquidity for foreign exchange transactions with counterparties that are unrelated to a benchmark order, acting as a principal dealer and market maker in the interbank market or otherwise engaging in risk management activities. These activities may result in State Street executing foreign exchange transactions immediately prior to or during a fixing window or at other times in a manner that may impact the calculation of a particular benchmark rate in a direction that is adverse to you with respect to your benchmark orders or the exchange rate for any other foreign exchange transaction that you may enter into with other third party foreign exchange dealers.

#### **WHAT IS YOUR AFFILIATION WITH THE WORLD MARKETS COMPANY AND HOW DO YOU USE THEIR BENCHMARK RATES?**

The World Markets Company is an affiliate of State Street. The benchmark rates published by the World Markets Company are calculated based on (i) with respect to trade currencies, actual trade execution and order data, and (ii) with respect to quote currencies, indicative bid and offer rates, in each case sourced from independent third party platforms or, in certain circumstances, Currenex. Currenex is an electronic trading platform affiliated with both State Street and the World Markets Company. State Street enters into foreign exchange transactions and may otherwise provide firm or indicative bids and offers on the above-referenced foreign exchange electronic trading platforms in connection with its principal foreign exchange services. If State Street has agreed with one or more of its customers to enter into foreign exchange transactions with respect to a trade currency at or based on a benchmark rate published by the World Markets Company, State Street may, as part of its risk mitigation strategy, attempt to replicate the benchmark rate for that currency pair by trading on the platform of the relevant data provider prior to or during the period in which the World Markets Company sources actual trade execution and order data from that data provider to calculate its benchmark rate. In these circumstances, the benchmark rates published by the World Markets Company may be based, in part, on actual foreign exchange transactions entered into, or firm or indicative bids and offers provided by, State Street on these foreign exchange trading platforms. In addition, State Street may enter into foreign exchange transactions immediately prior to or during a

fixing window on electronic platforms other than those that act as data providers to the World Markets Company, whether as part of a risk mitigation strategy related to benchmark orders or otherwise in the ordinary course of its business. These foreign exchange transactions may impact the liquidity and pricing available on the platforms operated by the above data providers, which in turn may impact the calculation of the benchmark rates published by the World Markets Company in a direction that is adverse to you with respect to your benchmark orders or the exchange rate for any other foreign exchange transaction that you may enter into with other third party foreign exchange dealers.

The World Markets Company receives a fee from each subscriber that licenses its benchmark rates. These licensing arrangements are negotiated and subscribers may negotiate different rights and obligations for the use of the same foreign exchange benchmark rates. State Street also receives both a direct and indirect economic benefit from its use, and the use by others, including other principal foreign exchange dealers, of the benchmark rate services provided by The World Markets Company.

**DOES STATE STREET USE AND DERIVE ECONOMIC OR OTHER INTERESTS FROM USING CERTAIN AFFILIATED AND UNAFFILIATED TRADING VENUES OR SERVICE PROVIDERS IN CONNECTION WITH ITS PRINCIPAL FOREIGN EXCHANGE SERVICES?**

State Street has a financial incentive to use, and to encourage its customers to use, certain transaction execution facilities, including designated contract markets or swap execution facilities, 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. State Street has and in the future may acquire ownership or other economic interests, such as the right to receive payments for order flow or transaction reporting or to receive other fees, in a transaction execution facility on or through which a foreign exchange transaction may be priced or executed. State Street or one of its affiliates also may have ownership or other economic interests in a derivatives clearing organization or other clearinghouse through which foreign exchange transactions between you and State Street may be cleared. State Street also may have access to certain transaction execution facilities and clearing organizations, but not to others. The directors, officers and employees of State Street or one of its affiliates may serve as directors of one or more transaction execution facilities or derivatives clearing organizations. In all such cases, State Street will derive financial or other benefits if you execute a foreign exchange transaction on or through such a transaction execution facility or clear a foreign exchange transaction through such a derivatives clearing organization, and State Street will have financial or other incentives to encourage you to execute foreign exchange transactions on or through such a transaction execution facility or to clear foreign exchange transactions at such a derivatives clearing organization. The transaction execution facilities owned and operated by State Street or one of its affiliates or in which State Street or one of its affiliates currently has (or will in the future have) an economic interest are discussed below.

State Street is currently a subscriber to and enters into foreign exchange transactions on two transaction execution facilities, Currenex<sup>®</sup> and FX Connect<sup>®</sup>, and on a registered swap execution facility, SwapEx<sup>®</sup>, and also offers a single dealer electronic trading platform, VectorFX<sup>®</sup>, each of which is owned and operated by State Street or one of its affiliates. State Street has an affiliate that has entered into a licensing arrangement with Eris Exchange, LLC, a registered designated contract market, pursuant to which that affiliate, in exchange for a volume-based licensing fee, licenses and provides hosting services for technology used by Eris to offer its electronic trading platform for interest rate swap futures. State Street may in the future own or operate or otherwise become affiliated with or become a subscriber to other affiliated transaction execution facilities.

*Currenex and FX Connect.* As a subscriber to Currenex and FX Connect, State Street provides bid and offer quotations for foreign exchange spot, foreign exchange forwards (deliverable and non-deliverable) and foreign

exchange swaps through those transaction execution facilities. The range of products traded on or through these transaction execution facilities and for which State Street will provide quotations may expand in the future to include other types of foreign exchange transactions. If you enter into a subscription agreement with respect to FX Connect, you will be able to request and receive quotations for certain types of foreign exchange transactions from State Street and other third party foreign exchange dealers. If you enter into a subscription agreement with respect to Currenex, you will be able to request and receive quotations for certain types of foreign exchange transactions from State Street and other third party foreign exchange dealers, on either a central limit order book, request for quote or streaming basis.

*SwapEx.* SwapEx is a swap execution facility registered with the Commodity Futures Trading Commission. As this agency's rules and regulations currently permit, State Street subscribes to, and as a foreign exchange swap dealer provides quotations for and enters into non-deliverable foreign exchange forward transactions through, SwapEx. If you subscribe to SwapEx, you will be able to request and receive quotations for non-deliverable foreign exchange forward transactions from State Street and other third party foreign exchange dealers, on either a central limit order book or request for quote basis.

*VectorFX.* VectorFX is a single dealer transaction execution facility. If you subscribe to VectorFX, you will receive request for quote or streaming quotations for certain types of foreign exchange transactions through that facility only from State Street and will not receive quotations from any other third party foreign exchange dealers.

The above transaction execution facilities provide State Street with opportunities to enter into foreign exchange transactions with you as a principal counterparty. If State Street is a counterparty to you on any of Currenex, VectorFX or FX Connect or any other transaction execution facility, it will seek to profit in those circumstances by executing foreign exchange transactions with you at rates more favorable to State Street than its own costs to obtain the same currency, including at rates more favorable to State Street than those that may be quoted or available in the so-called inter-bank market. State Street is not obligated to account to you for any such profit.

You are not required to use any transaction execution facility that is 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 in order to enter into a foreign exchange transaction with State Street. State Street may, however, encourage you to become a subscriber to and enter into foreign exchange transactions on or through one or more of these transaction execution facilities. In connection with the provision of its principal foreign exchange services, State Street has not provided you, and does not assume any obligation to provide you, with any information about any alternative transaction execution facility or about the benefits or risks of any particular transaction execution facility, including those 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. There may be other transaction execution facilities that are better suited to your specific objectives and trading strategies and that may provide different benefits, including greater anonymity, access to a greater number of liquidity sources or faster execution of your foreign exchange transactions. In advance of becoming a subscriber to and entering into foreign exchange transactions on or through any transaction execution facility, including any facility that is 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, you should ensure that you fully understand the benefits and risks associated with, and the rules and regulations applicable to, such transaction execution facility and that you are fully satisfied that such transaction execution facility is suitable for your specific objectives and trading strategies.

State Street or one of its affiliates will receive transaction-based fees from subscribers in connection with foreign exchange transactions entered into on FX Connect, Currenex and SwapEx. The fees charged by these transaction execution facilities vary by subscriber and may be charged to one or both parties to any foreign

exchange transaction. These fees are separate from and in addition to any profit that State Street may recognize in acting as a principal counterparty to any foreign exchange transaction it may enter into with you on any of these electronic trading platforms. State Street also may receive an indirect economic benefit in connection with its use of an affiliated transaction execution facility in the form of reduced transaction-based fees or better pricing arrangements than what is available to other unaffiliated subscribers.

Neither State Street nor any of its affiliates has any duty to ascertain whether a particular transaction execution facility offers the best available market for entering into a foreign exchange transaction, generally or in any specific circumstance. Accordingly, there is no assurance that the quotations that you receive from State Street and other third party foreign exchange dealers on any particular transaction execution facility will be the best available rate under prevailing market conditions.

### **DOES STATE STREET USE “LAST LOOK” FUNCTIONALITY WITH RESPECT TO ELECTRONIC PRICE QUOTATIONS MADE AVAILABLE ON ELECTRONIC TRADING PLATFORMS?**

Yes. State Street uses “last look” functionality with respect to electronic price quotations made available to one or more of its customers on certain affiliated and unaffiliated electronic trading platforms that support such functionality. The affiliated electronic platforms that offer “last look” functionality include FX Connect, Currenex and VectorFX. The term “last look” refers to functionality whereby State Street retains the right, for a limited period of time, to confirm that it remains willing to execute a foreign exchange transaction at an exchange rate that it has quoted to a counterparty on an electronic trading platform. The last look functionality is typically used by electronic foreign exchange systems seeking to manage the operational and liquidity risks associated with executing foreign exchange transactions across a number of execution venues, including proprietary and third party electronic execution platforms. If State Street rejects or does not otherwise confirm acceptance of the exchange rate within the relevant time period allowed by the electronic trading platform, the platform typically will not execute a foreign exchange transaction between State Street and the relevant counterparty. Accordingly, those electronic price quotations that have last look functionality constitute “contingent liquidity,” and are not binding on State Street unless and until it confirms acceptance of the exchange rate and the electronic trading platform provides you with a confirmation of the foreign exchange transaction. No counterparty that receives electronic price quotations from State Street on an electronic trading platform should assume that a foreign exchange transaction has been entered into on that electronic trading platform unless and until it receives a system confirmation to that effect.

The rules relating to “last look” functionality, including the maximum tolerances and system confirmation response times, which are often in milliseconds, vary, and are generally set by the relevant electronic trading platforms. If you enter foreign exchange transactions with State Street over an electronic trading platform, we encourage you to obtain and review the rules applied by the relevant electronic trading platform to determine whether they are consistent with your execution requirements. State Street however, typically retains discretion as to whether a particular counterparty will receive electronic price quotations subject to last look functionality and as to the amount (the “last look threshold”) by which a quoted rate must deviate from the most current rate available within that liquidity stream before it is rejected by State Street. State Street sets the last look threshold at different levels for different counterparties based upon its view of the behavior of and the overall relationship with that counterparty. This last look functionality may result in a counterparty on an electronic trading platform from time to time being unable to execute at one or more of the electronic prices quoted to that counterparty by State Street on that electronic trading platform, which may result in price slippage as orders take a longer period of time to get executed. We urge you to review and understand the rules and user guides of the various electronic platforms over which you enter into foreign exchange transactions with State Street.

**ARE THERE ADDITIONAL CONFLICTS OF INTEREST OR OTHER SIGNIFICANT MATTERS THAT I SHOULD BE AWARE OF WITH RESPECT TO THE OPERATION OF FOREIGN EXCHANGE SERVICES THAT ARE NOT DISCUSSED ABOVE?**

State Street is a global financial services organization and, through its affiliates world-wide, provides a wide range of services and engages in a wide range of transactions with clients and counterparties. As a result, there are likely certain other conflicts of interest and related considerations that have not otherwise been described above or that may arise in the future in connection with the offering by State Street of its principal foreign exchange services, including those conflicts of interest and considerations set forth below.

*Outsourcing.* As a global financial services organization, State Street may use affiliates or third parties to perform all or a portion of the middle and back office (e.g., transaction processing, settlement reconciliations and customer reporting) and finance related functions required to satisfy its service obligations and contractual arrangements with counterparties in respect of its principal foreign exchange services. These entities may be located in several different jurisdictions across the world, including, but not limited to, China, India and Poland. This outsourcing generally requires that State Street share with such affiliates or third parties data and other information that may be deemed confidential to the extent necessary to allow such parties to perform the particular functions that have been allocated to them under the outsourcing arrangements. Notwithstanding the outsourcing of these functions, State Street retains contractual liability, including with respect to data and other information shared with such entities.