

## Information regarding exemption from MiFID II for FX forwards

Directive 2014/65/EU (MiFID II) regulates how investment firms, such as Handelsbanken, must act to strengthen the investor protection. MiFID II stipulates what and how Handelsbanken must inform its customers regarding the execution of, distribution of and trading with financial instruments.

Currency derivatives, as other OTC derivatives, are generally considered to be financial instruments. FX forwards may however, according to article 10 of the Commission Delegated Regulation (EU) 2017/565, under certain circumstances be exempt from the regulation. The exemption means that the FX forwards concerned are not covered by MiFID II.

In order for the exemption to be applicable, all of the below conditions must be met.

- You as a customer must not be classified as a financial counterparty within the meaning of Article 2(8) of Regulation (EU) No 648/2012.
- The FX forward transaction you as a customer are realising must be done in order to facilitate payment for identifiable goods, services or direct investment. The FX forward is used to exchange future payments in foreign currency and is therefore considered a means of said payments.
- The FX forward must be settled physically. The full amount and the full counter currency amount are to be exchanged upon maturity.
- The FX forward transaction must not be traded on a trading venue. In short, a trading venue is a mechanism for bringing buyers (price takers) and sellers (price makers) together, as e.g. an exchange or a multi-bank platform.

It is you as a customer who decides whether the exemption should be applied to the transaction. Handelsbanken can assist in assessing whether the exemption is applicable. If your decision is to apply the exemption, the transaction will no longer be regulated by MiFID II.

That means the transaction will not be reported as a financial instrument to competent authorities and it will not be included in the annual report on cost and charges for trading in financial instruments.

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Transactions in FX swaps can also be covered by the exemption, but only if the purpose of the transaction is to move the payment date of an existing FX forward that is covered by the exemption. In addition, the transaction in the FX swap must meet the same conditions as stated above for FX forward and FX Windows.