Bank of America Merrill Lynch (BofAML) is a global financial service firm that offers electronic trading services in foreign exchange (FX) transactions (including FX spot, forward, swap, multi-leg forward and option transactions) (each a Transaction). BofAML provides the following information regarding the automatic pre-trade controls applied to FX electronic trading and BofAML Algorithms (as defined below):

**Last Look**

BofAML, in its sole discretion, may provide customers with liquidity by streaming indicative prices. Upon receipt of an indicative price from BofAML, a customer may submit to BofAML an offer to execute a trade (Customer Offer). After receipt of a Customer Offer, BofAML automatically evaluates the Customer Offer based on certain pre-trade controls and proprietary parameters.

One pre-trade control used by BofAML is known commonly in the FX industry as “last look”. Last look is the process whereby BofAML’s trading system automatically evaluates whether a Customer Offer is within BofAML’s established trading parameters. At BofAML, last look is applied symmetrically in an effort to prevent both BofAML and the customer from entering into Transactions at prices that do not reflect the current market.

Last look parameters may differ across trading channels based on trading automation and price aggregation that may lead to differences in Customer Offer acceptance rates.

BofAML’s last look process includes a delay of approximately zero to fifty milliseconds which is used to evaluate the Customer Offer against BofAML’s assessment of the current market adjusted for any applicable rate tolerance. BofAML does not pre-hedge electronic orders, nor does BofAML’s last look process use Customer Offer information for trading purposes.

BofAML applies an economic check to electronically traded FX options that may cause the rejection of an FX option Customer Offer, in the event of a move in the underlying FX spot rate beyond a threshold, as determined by BofAML in its sole discretion without notice to Customer, from the level at the time BofAML provided the FX option price. BofAML is not obligated to accept any Customer Offer and may accept or reject a Customer Offer at its sole discretion without notice to Customer. BofAML has an economic incentive when trading as principal and makes profits and incurs losses in connection with principal trading activity, which are solely for BofAML’s account.

**Automated Circuit Breakers**

BofAML’s electronic trading systems include automated circuit breakers, which, in the event of changes in market price levels over time, may impact customer pricing or result in the discontinuance of pricing or Customer Offer acceptance.

**No Obligation to Distribute Prices**

BofAML is not obligated to distribute prices electronically and may, in its sole discretion, suspend, cancel or terminate any electronic trading service of the distribution of indicative prices at any time and for any reason, including as a result of market volatility or liquidity disruption. BofAML may use anonymised customer order information in determining the prices that BofAML provides to third parties.
**BofAML Algorithms**

BofAML offers a number of FX algorithms (BofAML Algorithms), which are designed to meet different execution objectives, and, accordingly, may differ in urgency of execution, willingness to cross the bid-offer spread and use of limit orders. Customers should familiarize themselves with the intended purpose of each BofAML Algorithm and their parameter controls to ensure that algorithm selection and use is appropriate to their execution objectives.

BofAML’s Algorithms include default settings for liquidity source selection and other parameters that may differ across BofAML Algorithms. BofAML pre-selects external liquidity sources for its BofAML Algorithms in its sole discretion based upon such factors as it determines relevant, including but not limited to, the algorithm’s objectives, relative source liquidity and fill rates. External liquidity sources may vary across BofAML Algorithms. Customers should familiarize themselves with the default settings on the algorithm order entry ticket, which may be overridden by the customer.

BofAML Algorithms route orders depending on the trading objective of the BofAML Algorithm. Where customer elects to include BofAML’s internal matching engine as a liquidity source on certain BofAML Algorithms, orders may be routed to the internal matching engine irrespective of whether the same pricing is available on an external liquidity source. Where Customer selects an external trading venue for BofAML Algorithm customer order execution, any residual amount may be placed in BofAML’s internal matching engine for execution.

Customer is responsible for making its own independent decision to use BofAML Algorithms and is responsible for ensuring the BofAML Algorithms it elects to use are appropriate or proper for its needs based upon its own judgment and upon advice from such advisors as it has deemed necessary. Customer shall not rely on any communication (written or oral) of BofAML as investment advice or as a recommendation to use BofAML Algorithms, it being understood that information and explanations related to the BofAML Algorithms shall not be considered investment advice or a recommendation to use BofAML Algorithms. No communication (written or oral) received from BofAML will be deemed to be an assurance or guarantee as to the expected results of the BofAML Algorithms.

BofAML has no liability related to customer’s use of any BofAML Algorithms or of any price derived from any BofAML Algorithm including prices provided by BofAML in response to customer orders. BofAML Algorithms may use information provided by third parties, including third party liquidity providers and other pricing sources which may be pre-selected by a BofAML Algorithm or selected by customer. BofAML is not responsible for the accuracy, completeness or appropriateness for any particular purpose of the pricing information utilized by or derived from any BofAML Algorithm. The pricing information utilized or derived from a BofAML Algorithm might differ from the price currently available from a third party liquidity provider or other pricing source as a result of delays in the dissemination of price updates from the pricing source or latencies in market infrastructure or BofAML’s internal processing or communication systems.

**Limits and Parameters**

BofAML, in its sole discretion, has the right to set limits and parameters to control a customer’s use of BofAML’s electronic trading service and BofAML’s Algorithms, including controls regarding: (a) maximum request amounts and number of trading requests; (b) BofAML’s total exposure to customer; (c) the price at which Customer Offers may be submitted; (d) the frequency of submission of Customer Offers; and (e) other limits BofAML wishes to establish.

Customer may input certain parameter controls in connection with the use BofAML Algorithms, in which case, customer will be regarded as providing BofAML with a specific instruction in relation to that part of the order which the parameter control manages and BofAML will be regarded as having discharged its obligation if any to provide best execution where applicable in relation to that order to the extent that the parameter control removes from BofAML discretion over that particular aspect of the relevant order.

BofAML February 2019
Internalization

Internalization provides customers with the ability on certain BofAML Algorithms to elect to access BofAML’s internal matching engine. Where BofAML’s internal matching engine and one or more external trading venues are selected, orders may be placed in the internal matching engine, irrespective of whether the same pricing is available on an external liquidity source.

Aggregation

BofAML may aggregate customer orders with one or more other customer orders, or a Transaction for BofAML’s own account, where it is unlikely that the aggregation of orders and Transactions would work to the overall disadvantage of the customer whose order is aggregated.

Allocations

Where BofAML may aggregate Transactions for BofAML’s own account with one or more customer orders, the resulting Transactions will be allocated in a manner that is not detrimental to the customers. Where customer orders are aggregated with those for BofAML’s own account and the aggregated order is only partially executed, allocations are to prioritize customers over BofAML. Order fills will be allocated on a time priority basis.

Order Prioritization

Time-of-receipt prioritization of comparable orders will be applied where practicable and provided market conditions permit.

Pre-Hedging

When trading as a principal, BofAML may pre-hedge customer orders to manage risk or facilitate customer order execution. These activities may affect market prices and the availability of liquidity at levels necessary to execute your order, potentially against your interest. BofAML does not pre-hedge electronic FX orders.

Electronic Trading Terms & Conditions

All Transactions executed via Instinct FX, FIXAPI and third-party electronic trading platforms with BofAML are subject to the Bank of America Merrill Lynch Electronic Trading Terms and Conditions available at: https://www.bofaml.com/en-us/content/baml-disclaimer.html

BofAML may at any time, in its sole discretion, modify the practices described above without notice