Bond Auctions and Buybacks Disclosure for Rates Clients

This disclosure sets out certain information we provide to our clients in connection with bond auctions and buybacks. The contents of these disclosures should not be treated as investment, regulatory or legal advice.

1. Scope

The disclosures set out below relate to CA-CIBs role in the bond auctions and buybacks of government, sovereign, supranational and agency issuers in the different countries we operate in around the globe.

The disclosures set out below refer to ‘bids’ in the ‘auctions’ of ‘government debt management offices’ for the sake of simplicity, but they apply equally to offers in buybacks as well as for other types of issuers such as sovereign, supranational and agency issuers and the disclosures should be construed accordingly.

2. Conflicts of interest

Potential conflicts of interest may arise as a result of CA-CIB acting as a primary dealer in bond auctions. These potential conflicts of interest include the following:

- **Client order vs. CA-CIB bid**

  When CA-CIB participates as a primary dealer in bond auctions it has three main objectives: (i) to fill the client orders it has received, (ii) to satisfy its own inventory need and (iii) to fulfil its primary dealer obligations to the government debt management office. This creates a potential conflict between the interests of our clients and the interests of CA-CIB to the extent that knowledge of client orders could inform CA-CIB own submissions.

- **Client order vs. CA-CIB hedging activity**

  CA-CIB may hedge the risk of a client order either in the market ahead of the auction or in the auction itself. This is consistent with market practice, but it creates a potential conflict of interest because CA-CIB trading activity in the market may have an impact on the final auction results which could adversely impact a client.

- **Client order vs. CA-CIB primary dealer ranking**

  CA-CIB performance as a primary dealer in each country is typically assessed by the relevant government debt management office and primary dealers with higher rankings may be granted certain privileges by a government debt management office (see Primary dealer obligations and privileges section below). As a result, CA-CIB may benefit from client business in government bond auctions.

CA-CIB attempts to mitigate these potential conflicts of interest through the implementation of internal controls, policies and procedures.
3. CA-CIB role as primary dealer

- Primary dealer obligations and privileges
  
  When acting as primary dealer, CA-CIB may be required by a government debt management office to satisfy certain obligations, or meet predefined targets in respect of its performance in auctions. In return for satisfying these obligations or meeting these targets, government debt management offices may grant certain privileges to a primary dealer (for example, being invited to be a lead management role in a syndicated issuance).

  Also, a small number of European government debt management offices pay a fee to primary dealers for their performance in auctions and other primary distribution duties.

- Non Competitive Allocations
  
  In a number of countries outside the US, the government debt management office may offer Non-Competitive Allocations (NCA) to primary dealers. Clients should note, in countries where CA-CIB is granted a NCA for an auction, a client placing an order in the auction may request that CA-CIB offers it a portion of the NCA. This request must be received at the same time as the order for the competitive auction to be considered.

  CA-CIB will exercise sole and absolute discretion in electing whether to grant a request for a portion of the NCA and may take into account (i) any rules imposed by the relevant government debt management office regarding NCA and (ii) any internal constraints on offering the NCA.

- Submission of client orders to auctions
  
  In most cases and absent express instructions from the client, orders at a specific price in auctions will be submitted directly into the electronic auction system of the government debt management office in CA-CIB name.

  CA-CIB at its discretion may elect not to submit the client order directly to the government debt management office and instead may elect to fill the order by alternative means, such as from existing inventory. You must inform the CA-CIB employee if your preference is for the order to be submitted directly into the electronic auction system of the government debt management office.

  CA-CIB always acts as principal, not client’s agent, in respect of client orders for auctions.

- Primary dealer reporting obligation
  
  Some government debt management offices require primary dealers to report certain information about purchases and sales on the primary and secondary markets of the bonds issued by that government debt management office. The reporting format set by a government debt management office may require primary dealers to specify a counterparty type and country of counterparty incorporation for each purchase or sale. If you would like more information about any of the reports that CA-CIB is required to submit as a primary dealer, please speak to your dedicated CA-CIB coverage person.
• Handling of client information

In addition to the controls regarding client bid information, CA-CIB also has policies addressing the proper handling of other types of auction information. In particular, CA-CIB restricts the communication of specific yields, rates or amounts of securities that clients may be bidding to other clients, as well as existing securities positions that CA-CIB or other clients may have. CA-CIB does provide clients general market colour around auctions provided that such information is provided on the basis of general impressions of the market and not knowledge of specific client information.

4. Guidelines for handling information related to US Treasury auctions

The policies described in this document serve as a disclosure of CA-CIB role in the bond auctions and buybacks of government, sovereign, supranational and agency issuers in the different countries we operate in around the globe, including the US. Accordingly, this document also serves as a summary disclosure of CA-CIB policies for the handling of US Treasury auction related information in response to the Department of the Treasury’s guidelines for handling information related to treasury securities auctions.

Please contact your dedicated CA-CIB coverage person if you have any queries about any of the disclosures set out above.