

Credit Agricole Corporate and Investment Bank

Pre-hedging Policy

1. General purpose and scope

This document sets out the policy of Credit Agricole Corporate and Investment Bank ("CA-CIB") in relation to pre-hedging activity undertaken by CA-CIB in relation to business with its clients.

CACIB endeavours to offer the best possible execution prices to clients in all circumstances, while promoting fair treatment of customers. Accordingly, the bank may pre-hedge potential market risk by entering into transactions for its own account which could give rise to potential conflicts of interest. Any pre-hedging activity though will be undertaken with the intention of achieving these goals.

Unless clients instruct explicitly CA-CIB not to enter into any pre-hedging transactions by requesting such at the time of enquiry or placement of an order, CA-CIB may enter into pre-hedging transactions at its own discretion without any obligation to inform clients.

2. General information and principles on pre-hedging

Pre-hedging is where CA CIB may manage its own potential risk exposure through the practice of trading for the firm's own account before a client order is executable in the market or in advance of circumstances where CA-CIB is invited to quote on a particular transaction. In such cases, CA CIB may choose to execute a partial or complete hedge to a trade prior to execution of a client order or the arranging of a potential client order.

In some markets, there may not be enough, or any, liquidity, in the financial instrument/tenor, strike etc. to which the client request or order relates. In order to be able to provide a quote/price to its clients, CA-CIB might first have to contact brokers, or enter bids/offers and/or undertake transactions, in the relevant market (collectively "assessing the market") before providing a price/quote to a customer.

CA-CIB will enter into pre-hedging transactions in good faith, with the intention to act in the client's interest. Under no circumstances, will CA-CIB enter into pre-hedging transactions in a way, either as to timing or size of transactions, which is intended to influence or manipulate the market price. However, due to the inherent unpredictability of markets, CA-CIB cannot be responsible for adverse outcomes arising in relation to any pre-hedging activity.

3. Specific application of pre-hedging in different markets

Subject to the above mentioned principles, pre-hedging may be undertaken in the following but nonexhaustive cases:

- Pre-hedging derivatives risk in relation to capital market transactions
- Management of price risk in relation to benchmark transactions
- Pre-hedging in derivatives markets
- Pricing transactions in illiquid markets