

APAC Pacific Equities IOI Charter – Due Diligence Questionnaire

(updated in Feb 2023)

The Asia Pacific Equities IOI Charter (“**the Charter**”) is a supplement to the 2017 AFME/IA Framework for Indications of Interest, providing additional guidance for market participants who issue and react to Indications of Interest (“**IOIs**”) on a bilateral basis in Asia Pacific markets.

As a signatory to the Charter, JPMorgan Chase & Co (“**JPMorgan**”) sets out below its answers to the Due Diligence Questionnaire created by Asia Securities Industry & Financial Markets Association.

Capitalized terms not defined here shall have the meanings set out in the Charter.

Asia Pacific IOI Charter - Due Diligence Questionnaire	
IOI Policies and the APAC IOI Charter:	
1	How often do you review your IOI policy / procedures? The policy is reviewed at least annually.
2	Which business unit is responsible for implementing this policy / procedures and who is / are the responsible officers? APAC Equities Business of JPMorgan is responsible for implementation of the IOI policy.
3.1	Please provide details of the process followed when deciding the appropriateness of publishing a client's IOI flow and to whom. IOI flow is disseminated on the basis of the client's preference wherein the clients can choose to opt-out of sending IOIs for their intent to trade/orders altogether as well as on an order by order basis. We utilize a tiered system to commercially disseminate IOI's. Client Facilitation/Principal traders are not allowed to issue or view Client IOIs.
3.2	Please provide details of the process followed when deciding whether or not to send P:1 IOIs and how you determine the appropriate quantity. P:1 IOIs are sent based on client's clear indication. Quantity is determined by client indication or reasonable expectations from the client.
4	Do you conduct regular surveillance on IOI quality, including sampling? If so, please provide detail. System controls and regular monitoring reviews (including sampling) are in place to ensure IOI policy requirements are adopted and accuracy of usage of Bloomberg qualifiers.
5	What would be the process of escalation if breaches in the IOI policy are found? The escalations from the IOI monitoring controls are sent to the relevant Business Supervisors and Compliance for further review and discussion.

Order Handling and Controls:		
6	Can clients opt out of their IOIs being published to:	
	Other clients who do not send IOIs;	Yes
	Facilitation desks or affiliate desks;	Yes
	Affiliate entities.	Yes
7	Please describe the controls in place to ensure information about IOIs is managed appropriately within your firm (in particular, who may be able to see client IOI information and/or any information barriers between agency and facilitation trading).	System controls, access entitlement reviews and processes are in place to ensure that principal traders do not issue or have a visibility of agency IOIs.
8	Do you offer the option for clients to opt out of receiving IOIs which may result in execution against swap hedges?	No
9	Please detail your process of communication with clients in the event that we execute against an IOI of a swap hedge.	IOI for swap hedge is disseminated as a Client Natural(working) order and meets the requirements for Client Interest IOIs as set out in the APAC IOI Charter. The communication with the clients follows our Order Handling Policy and is covered by client disclosure in the "Important Notice to Clients: Order Handling Policy and Best Execution Arrangement of JPMorgan Chase Bank, N.A. – Hong Kong Branch, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities (Far East) Limited and J.P. Morgan Broking (Hong Kong) Limited (collectively referred to as JPMHK)". https://www.jpmmorgan.com/content/dam/jpm/global/disclosures/by-region/hk-order-handling-policy-best-execution.pdf
10	Please confirm your materiality threshold for a block designated as C:1.	The threshold for a Block trade designated as C:1 depends on a variety of market factors, i.e. relevant market sector and liquidity. Currently the threshold has been established at 1 day ADV (Average Daily Volume) or USD 20mm notional. The thresholds are subject to periodic review.
11	Does your firm operate a Central Risk Book (CRB) which may interact with IOI flow?	CRB desk disseminate IOIs based on automated optimization Algo. The desk does not directly interact with the clients.
12	Are there any areas of the APAC IOI Charter in which your CRB may not meet the Additional Guidance?	In general, CRB desk operates within the guidelines provided by Asia Pacific IOI Charter's additional guidance. Please note that CRB desk uses an automated optimization Algo at end of day in order to limit the overnight/end of day risk. This Algo operates independently to any House IOIs (H1/H2) disseminated during the day and might unwind/replenish/build positions at market close.
13	Per the IOI Charter Additional Guidance for H:1 and H:2 IOIs, do you have a monitoring process in place to control unwinds or replenishment relating to H:1 or H:2 IOIs? Can you provide summary statistics?	Yes, a monitoring process has been implemented to control unwinds/replenishment relating to H:1/H:2 IOIs. The relevant statistics can be provided to clients on request.
14	List out other specific controls that you would ideally like to see	N/A

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