

Notice to all non-financial entity customers who trade FX-forwards

FX-forward exemption notice

- The second Markets in Financial Instruments Directive (MiFID II) came into effect on 3 January 2018. It introduces new obligations, such as additional regulatory reporting and investor protection measures, on EU investment firms such as SEB. This followed other regulation affecting financial markets, in particular the European Markets and Infrastructure Regulation (“EMIR”), which imposes obligations with respect to derivatives transactions.
- These obligations only apply to transactions concerning “financial instruments”, which are precisely defined in these regulations.
- When fulfilling certain criteria, FX-forwards are exempted from the definition of “financial instruments” in MiFID II (the so-called “FX-exemption”). This FX-exemption applies to a customer classified as a “non-financial counterparty” under EMIR, who only trades physically-settled FX forwards with the purpose of facilitating (hedging) payments for goods, services or direct investments, and which transactions are not executed on a Trading Venue (typically being multi-bank electronic trading platforms).
- As a result of being out of scope of MiFID II, provisions in this regulation may not apply; for example, annual reports on Cost and Charges will not contain information relating to these instruments. However, it will not affect the level of service that you will receive from SEB.
- Given the typical customer’s use of FX forwards, SEB assumes that hedging payments is the usual reason for SEB’s non-financial counterparties to enter FX-forward transactions. It is of course possible that this is not the case in specific instances, in which case SEB needs to be informed of this.
- Hence, if the above circumstance (FX-forwards hedging payments for goods, services or direct investments with physical settlement) correctly describes your current and future trading purposes, you will not have to act. However, if you have previously traded, or wish to trade FX-forwards in the future for other reasons than stated above, you must inform your usual SEB FX contact person, either prior to a specific trade, or in relation to a sequence of trades. Alternatively, please send relevant information to the email address, FX-forwards@seb.se.

SEB reserves the right to change any of the above at any time in case of regulatory amendments, or in line with other official, or our own, interpretation thereof.

If you have any questions, please don’t hesitate to contact your usual SEB contact, or send an enquiry to us at FX-forwards@seb.se