



Pre-Trade Costs and Charges Disclosure: Interest Rate Swaps

Mizuho Securities Europe GmbH (MHEU) is providing this information concerning ex-ante costs and charges which we are required to disclose to our clients under Article 24(4)(c) of Directive 2014/65/EU of MiFID II. This particular disclosure relates to transactions in interest rate swaps that MHEU may trade with you from time to time.

Transaction Costs

MHEU has determined that the costs incurred by investors when transacting in instruments in the product categories described in the table below represent “*transaction costs*” only. This is because clients do not generally incur ancillary or ongoing costs in their dealing with MHEU. In dealing with clients in these products MHEU will provide an execution or ‘all-in’ price. The ‘all-in’ price includes these transaction costs, which make up what is commonly known as a spread or “mark-up” charged by MHEU. The mark-up can be calculated as the difference between the client execution price and the prevailing mid-price. The mark-up applied is intended to compensate MHEU for a number of service, risk, cost and capital consumption considerations which MHEU incurs, or is likely to incur, as a result of agreeing to transact with its clients. The mark-up may include a sales margin from time to time. The decision to add a mark-up, including the degree of mark-up, is determined by a number of factors including, but not limited to, size of transaction, liquidity, market conditions, funding costs, clearing and settlement fees, broker and platform fees, market risk, credit and counterparty risks, operational risk, the level of service provided to the client, a client’s past trading activity with MHEU, as well as the expectation that a client will actually buy or sell, including the timeframe in which this might occur.

The figures displayed in the table are ‘Ticks to Mid’ in basis points, to the mid-point of the spread (i.e. mid-bid or mid-offer) representing the actual average ticks, where historic data exists, over 10 months to 31st October 2018 for client facing transactions executed with Mizuho International plc (MHI) in the product categories specified. Where historic data does not exist or is deemed insufficient the figures are based on or derived from the historic data of a comparable market. These average spreads are displayed according to 4 maturity ranges.

Clients may accept these figures as MHEU’s current reasonable estimation of its mark-up and, therefore, the transaction costs incurred by you as a client over the near term when transacting with MHEU in the relevant instrument, or until MHEU notifies you otherwise.

Average ticks to mid (bps)				
Tenor	EUR	USD	JPY	GBP
<3y	0.08	0.05	0.17	0.19
3y-7y	0.11	0.27	0.16	0.3
7y-15y	0.11	0.13	0.3	0.4
15y+	0.28	0.16	0.6	0.8

Important: Investors should note that notwithstanding the foregoing paragraphs, the figures displayed in the table are not a guarantee of future mark-ups and may be subject to change at any time. Furthermore, the figures are estimations only and do not take into account extreme or unusual conditions which may influence the spread and may therefore increase the transactions costs incurred by the client. These include, for instance:-

- **Price Fluctuations** Dealing spreads can vary considerably and will depend on the price of the particular instrument and market sentiment. Prices of instruments are determined by forces of supply and demand. These forces are, themselves, affected by factors such as actual market volatility, expected volatility, macroeconomic factors and speculation. Spreads may rapidly widen or narrow. The data displayed herein do not adjust for circumstances such as extreme market volatility, market disruption or force majeure given their extraordinary nature. Such

circumstances can occur due to political or economic events, government intervention, changing supply and demand, and other macroeconomic factors. Illiquid and emerging markets can experience extreme price volatility together with wide spreads. The level of transparency and regulation in certain emerging markets can be limited and may therefore contribute to wide spreads and spikes.

- **FX risk** Investors should be aware that where receipts of asset values are converted into another currency the overall transaction costs are likely to incur additional costs associated with FX conversion. Exchange rates fluctuate and can lead to additional costs for the investor.

MHEU will periodically review the estimated figures shown in the table and make adjustments where necessary. MHEU does not have a duty to inform you if any individual transaction's mark-up is outside of the associated spread.

Please also note that MHEU has the right to offer a different price to different customers for the same instrument. The amount of mark-up may therefore vary according to the unique circumstances of a particular transaction. In any event, MHEU will ensure that the level of mark-up is appropriate and fair. Furthermore, all pricing will be offered in accordance with the firm's best execution policy, as applicable.

MHEU is providing to you the information herein for illustrative purposes only. This should not be construed as a recommendation, offer to buy or sell a security nor as a solicitation of investment business, and is only provided to you for the purpose of satisfying regulatory disclosure requirements.