MiFID II Costs & Charges Disclosure – Credit

Credit products ex ante disclosure

The Credit businesses comprise transactions in debt securities, credit derivatives and loans.

MiFID II Costs and Charges obligations apply to transactions in products that are 'financial instruments' as defined under MiFID II. In the case of the Credit businesses this includes, but is not limited to, debt securities and derivatives but does not include loans.

Price formation

Price formation in the Credit businesses generally takes the following approach:

- Firstly, formation of an instrument price which takes into account factors including the following: observable market prices, executed transactions, volatility data, other market data, internal models and observable trade flows. For Credit products the instrument price is the mid price.
- Followed by the application of Costs and Charges to form the final client price. The difference between the mid price and the final client price shall therefore constitute the Costs and Charges to the client.

Costs and Charges

Unless notified otherwise, Costs and Charges for Credit products:

- In the case of debt securities, represent Costs and Charges incurred for the investment and/or ancillary services that we provide to clients.
- In the case of derivatives, represent Costs and Charges related to the financial instrument.
- Do not include any third party payments received by the investment firm in connection with the investment service provided to the client.
- Are embedded in the final price received by the client.

Costs and Charges applied to Credit products vary depending upon a number of client specific and non-client specific factors. These reflect, among other things, the risk profile of the relevant business, client behaviour, credit and funding charges, hedging costs, capital usage and, where applicable, sales mark-up or mark-down.

Examples of factors that may impact the level of Costs and Charges applied include:

- **Credit support**: Where a client has in place an ISDA and Credit Support Annex with Barclays, this may decrease the level of credit charges applied to derivatives falling under the ISDA. In addition, transactions may be subject to collateral charges.
- **Clearing**: Where derivatives entered into between the client and Barclays are cleared through a central counterparty clearing house, this may decrease the level of credit charges applied to these derivative trades.
- **Funding and capital:** The final price may include adjustments for Barclays' costs of funding and capital usage.
- **Maturity**: Where a derivatives trade has a greater maturity, this may increase the level of funding and credit charges applied to such trade.
- **Liquidity:** Where a trade is executed at a time of lower liquidity, this may increase the level of hedging costs associated with such trade.