

Global Markets Sales and Trading Practices

For Wholesale Markets

October 2020

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General

CBA's Financial Markets Business

The Commonwealth Bank of Australia's ('CBA') operates globally through a number of CBA offices to engage in price quoting, order taking, transaction and execution and other market making and risk management activities across the wholesale fixed income, currency and commodity ('FICC') markets.

The purpose of this document is to clarify several key aspects of our Financial Markets business and is to be read in addition to any specific regulatory or legal requirements or other formal documentation regarding your relationship with CBA.

Relationship

Unless otherwise agreed in writing, CBA operates strictly as a principal and does not act as your agent, fiduciary or financial advisor or other similar capacity. Any statement or views expressed by any CBA and any staff you may interact with must not therefore be regarded as advice.

Conflicts of Interest

Risk Management

There are a number of inherent risks in transacting in FICC markets that cannot be completely eliminated. The role of CBA as both a market participant and market-maker means that at any time, we may be transacting with a variety of counterparties with divergent interests.

CBA manages risk on a portfolio basis, within set risk and capital limits. CBA front office staff may therefore hedge transactions on a portfolio basis such that it is proportionate with any assumed risk, position, trading strategy and prevailing liquidity and market positions.

To assist our front office staff in managing any conflicts of interest that may arise during the life of a transaction, CBA has implemented various policies, procedures and training program for staff.

Orders

Order handling

Placing an order with CBA does not create or imply an understanding between CBA and the counterparty to enter a transaction. Unless otherwise expressly agreed, CBA will exercise its discretion in determining whether to accept and execute all or part of an order. CBA will base this decision on a range of factors including the current state of the market and CBA's risk and trading appetite. CBA retains the right to decline an order if it carries unacceptable risk or has the reasonable potential to disrupt market integrity.

Unless a contrary agreement has been established, CBA will also retain discretion as to the necessary approach that should be adopted to satisfy any order requests including the aggregation, fill and priority of the transaction and may use any or all execution methods and liquidity sources currently available.

CBA will apply its discretion with respect to any industry or regulatory expectations in order to maintain reasonable and fair outcomes for our customers.

Larger orders

Particular care will be taken by CBA when managing materially larger trades in order to prevent any adverse outcomes to either the market or our customers. Various policies and procedures have been established to provide guidance to staff as to how to minimise information regarding the transaction being released internally and in to the market generally.

For more information regarding CBA's management of larger orders, please contact your CBA Sales Representative.

Pricing

Pricing and Mark Up

CBA intends to provide competitive pricing to all Global Markets customers. In order to provide fair and reasonable pricing, CBA may rely on a range of factors including internal validity and price checks and a combination of third party pricing and CBA's assessment of market liquidity and volatility factors. If and when CBA is able to fill an order at a particular price, it does not mean that CBA held, acquired or would acquire inventory to complete the transaction at the order price level or that there exists a tradeable market at that level.

Any firm or indicative pricing provided by CBA is quoted as an 'all-in' price which is inclusive of any mark-up circumstances. Mark-up is a spread or charge that can be included in the final price of a transaction in order to compensate CBA for any risks taken, costs incurred and services rendered for its clients and will apply unless expressly agreed otherwise.

Electronic Trading

Electronic Trading

Electronic Trading includes any activity that allows the execution or placement of orders on an Electronic Trading platform. With respect to our FX business, CBA may provide you with access to an electronic trading platform that allows for the placement or self-execution of orders. In such instances, you should be aware that the price displayed or quoted to you consists of a core price which is an aggregated price from CBA and other external platforms, combined with a mark-up that takes into account factors such as execution costs, availability of credit, market liquidity and volatility.

When electing to use an electronic trading platform when transacting with CBA, you should be aware that:

- Short term discrepancies may exist between any externally sourced prices utilised by the algorithm due to factors such as market infrastructure, communication and processing latencies and delays in the distribution of price updates
- Subject to the algorithm's trade parameters factors such as pricing, speed and likelihood of order execution may vary

For further information regarding the Electronic Trading platforms that CBA may utilise when transacting with you, please contact your Global Markets Sales Representative.

Last Look

CBA provides indicative pricing in spot, forward and swap FX markets using internal and third party platforms. When a trade request is submitted in response to CBA's indicative pricing CBA may accept or reject the request at its sole discretion based on a number of automated pre-trade controls. These pre-trade controls are known as "Last Look".

Last Look is a standardised verification and protection mechanism for CBA's electronic pricing to identify whether trade requests are made at prices within CBA's tolerance for execution. This process can include credit, market volatility, liquidity and malformed order checks, as well as latency checks. Latency checks protect both the client and CBA against executing a trade in circumstances where the market price at the time of execution has moved outside pre-defined tolerances relative to the indicative price quoted by CBA at the time of the trade request by the client, and therefore trading at the indicative quoted price under such circumstances could lead to an undesirable outcome to either party. CBA does not pre-hedge or use any information gained in the Last Look window when market making and applies Last Look symmetrically. This means that trades may be rejected if the market price, when checked, has moved materially either in or against the client's favour. Materiality is determined by reference to a number of factors relevant to the particular trade request, including but not limited to volatility, liquidity and the client's trading history with CBA.

Information

Information Handling

Protecting the confidentiality and security of customer information is an important part of the way CBA does business.

CBA has policies, procedures, systems and controls that are designed to protect confidential information.

CBA may make use of some information contained in orders and executed transactions to effect and risk manage the transactions themselves, as well as for portfolio and inventory risk management purposes.

CBA analyses and may share information internally on an individual and aggregate basis and may use the information for a variety of purposes, including for transactions, business strategy, sales coverage, and counterparty risk and relationship management.

CBA is subject to regulatory obligations that may require the disclosure of your information.

Aggregated and anonymised information regarding executed transactions and other relevant market information may be disclosed internally and externally as market colour.

Please note that this Information Handling Disclosure does not extend to the management of personal Information. For more information on how we handle personal information, please see our [Privacy Policy](#).

Market Commentary

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Complaints and Disputes

Complaints Procedure

If you have experienced any issues or are otherwise dissatisfied with CBA's service, you can contact us via your CBA Sales Representative.