

Global Markets and Commodities, Trade & Carbon Sales and Trading Practices for Wholesale Markets

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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 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.

CBA mitigates conflicts of interest, through disclosing, avoiding or controlling matters where conflicts may arise. To assist our front office staff in managing any conflicts of interests that may arise during the life of a transaction, CBA has implemented various policies, procedures and training program for staff.



Orders

Orders 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.



Pre-hedging

Pre-hedging

Pre-hedging is the management of risk associated with one or more actual or anticipated client orders. CBA may pre-hedge when it considers that such hedging activity would be in your interest or to help avoid disrupting the market. In assessing whether to undertake pre-hedging prevailing market conditions (such as liquidity) and the size and nature of the actual or anticipated transaction may be considered. CBA may pre-hedge for the following non-exhaustive reasons:

1. When receiving a large order size relative to market conditions;
2. To reduce the risk of execution slippage; and
3. To manage exposure of CBA and the impact to the market.

Pre-hedging may be undertaken into benchmark fixes in a manner that aligns with industry codes of practice including the

'Global FX Code of Conduct' and 'AFMA Swaps Reference Price Transaction Guidelines' where transacting a client order over time before, during or after a fixing calculation window is acceptable. While undertaking any pre-hedging activity, CBA may continue to conduct on-going business, including market making, execution of client orders and other risk management activity. CBA will not undertake pre-hedging with the intention of disadvantaging the client or disrupting the market. While we cannot guarantee any outcome in respect of an order, we will take reasonable steps to ensure that pre-hedging is not detrimental to that order.

For further clarification regarding our pre-hedging principles or practices, please contact your CBA Sales Representative.

Wholesale FX clients should read this disclosure in conjunction with CBA's Foreign Exchange (FX) Order Execution and Order Handling Standard Client Disclosure for Order Service: [click here](#).

Reference Price Transactions

Trading Reference Price Orders

Reference price transactions are transactions agreed with reference to a future determined auction price, benchmark, or other reference price. This involves agreeing all terms of a transaction except the price, which is set later based on observation of the reference price.

A counterparty should be aware of the key mechanics of reference prices and that the use of reference prices creates inherent conflicts of interest between CBA and its counterparties.



CBA manages these conflicts through various policies, procedures and training programs.

If CBA agrees to enter into a reference price transaction with you, our activity as a submitter or contributor to the reference price or our pre-hedging and hedging activity in respect of transactions ahead of or around the fixing time of the reference price may adversely impact the level of the reference price. Our hedging activity is only for risk mitigation purposes and never to influence or manipulate the reference price.

In executing reference price transactions with counterparties CBA observes the core principles in the Standard on Reference

Price Transactions published by the FICC Markets Standards Board (FMSB), available at [Link](#)

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 providing 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

CBA provides indicative pricing in spot, forward and swap FX markets using internal and external sources which may include third party electronic execution algorithms.

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 sources, combined with a mark-up applied by CBA (see 'pricing and mark-up').



Prices quoted or displayed may include rounding of decimal points.

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

- Short term discrepancies may exist between 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 CBA Sales Representative

Last look

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. When using Last Look, 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 may make use of information provided by you, including but not limited to information relating to pre-trade activity, information contained in orders; and information regarding 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 and other obligations that may require the disclosure of your information. With the exception of these obligations CBA will not disclose your information externally without your consent.

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

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

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.

