

Order Execution Policy Summary

Commonwealth Bank of Australia

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CommonwealthBank
of Australia



Order Execution Policy Summary

1. Introduction

The Commonwealth Bank of Australia, London Branch (**CBA LB**) and CBA Europe Limited (**CBAE**) (together, '**we**,' '**us**,' '**our**') has established and implemented an Order Execution Policy (**the Policy**) as required under the Markets in Financial Instruments Directive 2014/65/EU (**MIFID II**).

This document provides a summary of the Policy and procedures in place which are designed to take all sufficient steps to obtain the best possible results for your orders (**provide Best Execution**).

We do not owe you any fiduciary responsibilities as a result of the matters set out in the Policy, over and above the specific regulatory obligations placed upon us, or as contractually agreed with you.

2. Structure

Commonwealth Bank of Australia is a public company registered in Australia under the Corporations Act (**CBA**). It is authorised and regulated by the Australian Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority (**FCA**) in the UK. Details about the extent of our regulation by the Prudential Regulation Authority (UK) are available from us on request.

CBAE is a separately incorporated UK subsidiary of CBA, registered in the UK and authorised and regulated by the FCA. CBAE is not an execution venue and instead receives and transmits orders to CBA LB and other branches of CBA.

CBA LB will typically act in a principal capacity where transactions entered into with clients and counterparties will be executed against CBA's proprietary capital. CBA LB does not act in an agency capacity except in respect to certain commodity derivative transactions (in which case we will notify you of this).

Our Policy has been drafted considering these circumstances and this summary document should be read as one document covering the Best Execution obligations of both entities when we are receiving or transmitting and/or executing orders for clients.

3. Application

The Policy applies to customers who we have classified as Professional Clients in accordance with our Terms of Business and where services are provided by CBAE or CBA LB within the European Economic Area (**EEA**).

The Policy only applies with respect to Financial Instruments as defined in MIFID II, which includes but are not limited to: transferable securities (such as shares and bonds), money market instruments, units in collective investment undertakings, and exchange-traded and OTC derivatives, whether cash or physically settled, including futures, options and swaps.

The application of the Policy to particular types of Financial Instruments is described further in Annex I.

4. Best Execution

When we execute an order where we are required to provide Best Execution, we will take all sufficient steps to obtain the best possible result, taking into account the Execution Factors below. While we are not

under an obligation to obtain the best possible result for each individual order where we are required to provide Best Execution, we will comply with our Policy and meet the Best Execution requirements on a consistent basis.

In the case of Professional Clients the Best Execution obligation only applies where:

- We are executing or acting as principal and you have given us discretion over the execution of your order e.g. by executing or working a resting order.
- In the case of request for quote transactions, where we determine that you are placing legitimate reliance on us to protect your interests in relation to the pricing and other elements of a transaction. Whether you are legitimately relying on us will be decided based on the four-fold test explained below.

Even where we are not required to provide Best Execution, we will act honestly, fairly and professionally in accordance with your best interests and manage any conflicts of interest that may arise.

Legitimate Reliance

Where we execute an order on your behalf or receive or transmit an order for execution, we will assess whether legitimate reliance is being placed on us, by you, with reference to the following factors:

- **which party initiates the transaction** - where we approach you and suggest that you should enter into a transaction, it is more likely that you will be placing reliance on us. Where you initiate the transaction it is less likely that you will be placing reliance on us;
- **market practice and the existence of a convention to “shop around”** - where the market convention is for participants to approach several dealers for quotes, and you have the ability to “shop around” for quotes, it is less likely that you will be placing reliance on us;
- **the relative levels of price transparency within a market** – where we reasonably believe you have access to similar levels of price transparency, it is less likely that you will be placing reliance on us; and
- **the information provided by us and any agreement reached** - where our arrangements and agreements, including as described in the Policy, do not indicate or suggest a relationship of reliance, it is less likely that you will be placing reliance on us.

Your category and characteristics as a client are an important factor both in the assessment of whether you are relying on us to deliver Best Execution and in providing Best Execution.

Execution Factors

Where we are required to provide Best Execution, we must consider certain Execution Factors as part of the process of taking all sufficient steps to achieve the best possible result. These are as follows:

- **Price:** this is the price a financial instrument is or may be executed at;
- **Cost:** this may include implicit costs such as the possible market impact, explicit external costs e.g. exchange or clearing fees and explicit internal costs which represents our own remuneration through commission or spread;
- **Speed:** the potential time it might take to execute a transaction;
- **Likelihood of execution and settlement:** the likelihood that we will be able to complete a client transaction;
- **Size:** this is the size of the transaction and we may take this into account as to how this affects the price of execution; and
- Any other relevant considerations such as characteristics of execution venues or market impact.

Relative importance of Execution Factors

We will take into account the following criteria for determining the relative importance of the Execution Factors:

- the characteristics of the client including the regulatory categorisation of the client;

- the characteristics of the order;
- the characteristics of Financial Instruments that are the subject of that order; and
- the characteristics of the execution venues to which that order can be directed.

Generally, we consider that the most important execution factor for our Professional Clients is the price at which the transaction is executed. However, there may be circumstances where the Execution Factors vary. For example, in illiquid markets, the size of the transaction and likelihood of execution and settlement may take priority. In determining the relative importance of factors, we will use our experience and expertise to achieve the best outcome across all factors. Because we have a degree of discretion in how to apply the different Execution Factors, this may result in a range of different permissible approaches to executing your orders. This may mean that we do not achieve the best price for every transaction but the best result that can reasonably be expected given the information and execution methods available to us at the time.

In determining what is the best possible result for you, we will not compare the results that could be achieved for you on the basis of our Policy and fees with results that might be achieved for you by another investment firm on the basis of that firm's execution policy or a different structure of commission or fees, nor will we compare the differences in the commissions or fees that we charge to different clients which are attributable to the nature of the services that we provide to each client.

Annex I sets out the application of the Best Execution obligation by business and product.

Specific instructions

If we receive an order from you that includes specific instructions in relation to the handling and execution of the entire order or particular aspects of the order (for example, executing at a particular price or time or through the use of a particular strategy) then, subject to our legal and regulatory obligations, we will execute your order in accordance with that specific instruction, even if doing so may prevent us from achieving the best possible result for you.

Our obligation of Best Execution will be satisfied by executing the order in accordance with your specific instructions. Where your specific instructions cover only a part of or an aspect of the relevant order, then the Policy shall be applied to the remaining part of or aspect of the order that is not covered by your specific instruction.

5. Execution Venues

Client orders may be executed in one of the following two ways:

- By executing an order directly on a regulated market, MTF or OTF; or
- By executing an order bilaterally with us.

In either circumstance, you will face CBA LB or another branch of CBA as the counterparty to the trade in its capacity as principal, dealing on own account. Where client orders are received by CBAE, they will be transmitted to CBA LB or another branch of CBA for execution. The use of CBA as an execution venue provides specific benefits to client executions and these factors include, but are not limited to, governance, oversight and transparency of an order, consistency of order handling and front to back transaction processing.

In limited circumstances we may act as agent on behalf of a third party entity to arrange transactions to which the third party entity will be principal. If we interact with you on this basis, then you will be expressly notified.

In addition, CBA may use a number of execution venues to clear its own risk when acting as principal, as follows:

- regulated markets, multi-lateral trading facilities or organised trading facilities (collectively, **Trading Venues**);

- systematic internalisers;
- market makers and other liquidity providers; and
- non-EEA entities performing a similar function to any of the above.

Execution venues can include venues of which we are a direct member or participant and venues that we access through third party brokers or dealers.

Execution of orders outside a Trading Venue

Client orders may be executed outside of Trading Venues with your consent. In these circumstances, clients should understand that counterparty risks may exist, for example, in relation to credit and settlement.

6. Order Handling

We have procedures and arrangements in place to ensure that:

- client orders are dealt with promptly, fairly and expeditiously;
- otherwise comparable orders are executed sequentially; and
- in the event of a conflict, the interests of the client are prioritised over our own.

7. Monitoring and Review

We will review at least annually whether our Policy and arrangements include all sufficient steps to obtain the best possible result for the execution of orders where we are required to provide Best Execution. We will also review our Policy if a material change occurs that affects our ability to continue to obtain the best possible result for you.

The results of these reviews will be used to determine whether any enhancement to our Policy or arrangements are required.

8. Publications

Quality of execution

We are required to publish on a quarterly basis certain data relating to the client orders that we have executed in our capacity as an execution venue. The publication aims to provide clients information on the quality of execution where we act as the execution venue for client orders. These quarterly publications will be made available on our website.

Top five execution venues

We are required to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where we have executed client orders in the preceding year and information on the quality of execution obtained on these venues. This publication will be made available on our website.

9. Notifications to Clients

If requested, we will review the execution of an order where we are required to provide Best Execution to confirm that it has been executed in accordance with the Policy. The provision of further information about execution quality is at the discretion of the relevant business.

We will notify you of any material changes to the Policy or our Best Execution arrangements via our website. A change will be material where its disclosure is necessary to enable you to make a properly informed decision about whether to continue utilising our services.

10. Privacy and Personal Data

In relation to any personal data processed in relation to this Order Execution Policy Summary, please see our Group Privacy Policy which contains information on how we process your personal data under the General Data Protection Regulation (GDPR) and your rights under the GDPR.

(<https://www.commbank.com.au/security-privacy/general-security/privacy.html>)

ANNEX 1 – Application by reference to business and product

Application of Best Execution

We consider that Best Execution does not generally apply to transactions conducted via RFQ in respect of the Financial Instruments that we trade. This is because the transactions have the following characteristics:

- (i) You approach and request us to provide you with a quote;
- (ii) You have ready access to a number of different dealers to provide you with quotes and it is generally accepted market convention in the OTC derivative and bond markets that participants will shop around;
- (iii) You have transparency, or can be reasonably assumed to have transparency, on the prices at which transactions can be effected in the market.

There are circumstances where these characteristics are absent or where we may exercise discretion over the execution of your order e.g. when executing or working a resting order which cause the Best Execution obligation to apply. Where this is the case, we set out further detail on the Execution Factors per asset class.

Asset class	Execution factors	Execution venues (non-exhaustive)
Foreign exchange	<ul style="list-style-type: none"> • Price • Size of the transaction • Speed <p>The remaining factors are generally given equal weighting:</p> <ul style="list-style-type: none"> • Likelihood of execution and settlement • Costs • Nature of the transaction, such as any specific terms and the overall complexity of the transaction • Any other consideration relevant to the execution of the order 	<ul style="list-style-type: none"> • CBA • FXConnect • FXALL • 360T • Bloomberg
Bonds	<ul style="list-style-type: none"> • Price • Speed • Size of the transaction • Likelihood of execution and settlement • Costs • Nature of the transaction, such as any specific terms and the overall complexity of the transaction • Any other consideration relevant to the execution of the order 	<ul style="list-style-type: none"> • CBA • Tradeweb • Yieldbroker • Bloomberg • MarketAxess
Interest rate derivatives	<ul style="list-style-type: none"> • Price • Size of the transaction • Likelihood of execution and settlement 	In most instances the Execution Venue will be CBA except where rules require a transaction to be executed on a Trading Venue.

- Speed
- Costs
- Nature of the transaction, such as any specific terms and the overall complexity of the transaction
- Any other consideration relevant to the execution of the order

Commodity derivatives

- Price
- Size of the transaction
- Speed
- Costs
- Nature of the transaction, such as any specific terms and the overall complexity of the transaction
- Likelihood of execution and settlement
- Any other consideration relevant to the execution of the order

In most instances the Execution Venue will be CBA except where we may act as agent.

Typically, price will be the most important execution factor.

However the weighting and importance placed will vary depending on i) general market conditions during the period of execution including volatility and available market liquidity and ii) the precise terms and complexity of the transaction.