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## BEST EXECUTION POLICY

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AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED LONDON BRANCH  
JUNE 2021

## 1. INTRODUCTION

The Conduct of Business Sourcebook of the Financial Conduct Authority Handbook ("COBS Rules") requires firms, when, in certain circumstances, executing an order in a financial instrument on behalf of a client, to take all sufficient steps to obtain the best possible result for its clients taking into consideration not just price but cost, speed, settlement, size, nature or any other consideration relevant to the execution of the order ("Best Execution").

This document sets out Australia and New Zealand Banking Group Limited, London Branch's ("ANZ London") approach to discharging the Best Execution obligation. ANZ London's current business model means that a duty of Best Execution currently does not usually apply to the business it undertakes with clients. Despite this, ANZ London will still trade with clients in a fair and transparent manner and act in the client's best interest in accordance with COBS Rules.

A copy of this Best Execution Policy is supplied to new and existing Professional Clients to ensure they are aware of the terms upon which ANZ London deals with them and the duties owed by ANZ London.

## 2. SCOPE OF THE DUTY OF BEST EXECUTION

Best Execution is owed by a firm to a Professional client when, in respect of a client's order, the client is deemed to legitimately rely on the firm in relation to pricing and other parameters of the transaction. As you are aware, ANZ London always deals with you as principal and we operate primarily in request-for-quote markets.

ANZ London's current business model means that a duty of Best Execution currently does not usually apply to the business we undertake with you. Despite this, we still have an obligation to consider when an obligation of Best Execution is owed, and have monitoring and governance controls in place to achieve this.

Where you request a quote from ANZ London, we will owe you a duty of Best Execution only if we determine that you legitimately rely on us, having assessed the nature and relevant circumstances of the particular transaction, which include the following non-exhaustive list of factors (referred to as the 'Four Fold Test'):

- **Which party initiates the transaction:** Where ANZ London approaches a client to enter into a transaction it is more likely the client is placing reliance on ANZ London. Where the client initiates the transaction it is less likely the client will be placing reliance on ANZ London.
- **Market practice and the existence of a convention to 'shop around':** Where the practice in the market in which a business area operates suggests the client will take responsibility for the pricing and other elements of the transaction, it is less likely the client is placing reliance on ANZ London.
- **The relative levels of price transparency within a market:** If ANZ London has ready access to prices in the market in which it operates whereas the client does not it is more likely the client is placing reliance on ANZ London. If access to pricing transparency is equal or similar for the client, it is less likely the client is placing reliance on ANZ London.
- **The information provided by the firm and any agreement reached:** Where the arrangements and agreements between ANZ London and the client do not indicate or suggest a relationship of reliance, it is less likely that the client will be placing reliance on ANZ London.

Most transactions between ANZ London and its clients are based on a specific request by the client to buy or sell a financial instrument, or the acceptance by the client of a price quoted by ANZ London to buy or sell a financial instrument. In the applicable financial instruments offered by ANZ London, prices are highly transparent and it is the typical practice of clients to approach a number of different dealers for a price. In most instances, ANZ London is in competition with those other dealers. These transactions which arise from requests to deal, enquiries, price streaming or requests for quote, typically do not meet the FourFold Test for legitimate reliance.

In certain circumstances, and for certain products, we may accept orders to deal in some specified way, as per your instruction ("orders"). Our regulatory duty of Best Execution in these circumstances will be affected by the specifics of your order and your instructions to us. When you provide ANZ London with a specific instruction as to how an order is to be executed, we are required to follow the instruction and satisfy any duty of Best Execution by following it. Where the specific instruction covers only a portion of an order, and we have discretion over the execution of other elements of the order, then we may be subject to the Best Execution obligation in respect of the elements of the order that are not covered by the client's specific instruction, subject to the FourFold Test.

## 3. FINANCIAL INSTRUMENTS

Where applicable, the Best Execution obligation only applies to dealings in "Financial Instruments" (as defined by the FCA COBS Rules). ANZ London deals in the following transaction types in respect of the following applicable Financial Instruments:

- (a) FX - Forward FX, NDF's, FX Options, FX Swaps.

- (b) Securities Financing Transactions (SFT's) - Repo's, Reverse Repo's.
- (c) Rates - Government Bonds, Rates Derivatives.
- (d) Credit - Corporate Bonds, Credit Derivatives.
- (e) Commodities - OTC Commodities, where not physically settled.

#### 4. EXECUTION FACTORS

Where Best Execution obligation applies, we will consider the following execution factors in order to meet our obligation to you::

- (a) price;
- (b) costs;
- (c) speed of execution;
- (d) likelihood of execution;
- (e) such other matters that may be relevant to the specific order or transaction having regard to the prevailing market conditions.

We will generally give the highest priority to the 'all-in price', inclusive of costs (i.e. the total consideration), to give the best overall outcome for you across all relevant Financial Instruments.

ANZ London does not pass on external costs to clients, but may have costs embedded in the 'all-in' price. [Refer to ANZ London's Costs and Charges disclosure available at <https://www.anz.com/corporate/rates-fees-terms/disclosures/>]

Speed and likelihood of execution will be given the lowest priority by ANZ London, as these factors have no real relevance when a client deals with us as principal as we constitute the only execution venue (refer to section 5).

Where the Best Execution obligation applies, we will take all sufficient steps to ensure that we deliver the best possible result to you. However, you should be aware that this does not mean that we can guarantee that on every occasion we will achieve the best possible result for your orders. Where systems fail, or for other reasons beyond our control we may execute orders or transactions in a manner which differs from our normal practice, in these situations we will endeavour to perform our regulatory obligation to the best of our ability, having regard to all of the circumstances. Under no circumstances shall any obligation to you under our order Execution Policy amount to a condition of any transaction and no failure to comply with this Policy shall entitle you to cancel, terminate or rescind any transaction.

#### 5. TYPES OF EXECUTION VENUES

ANZ London accesses the following Execution Venues

- Regulated markets, Multilateral Trading Facilities (MTF) and Organised Trading Facilities (OTF), each referred to as a Trading Venue.
- Systematic Internalisers
- Liquidity Providers
- Market Makers
- Non-EEA entities performing similar functions to the above

#### 6. EXECUTION ON TRADING VENUES

ANZ London does not transmit, pass or route client transactions to "Trading Venues" (as defined in the COBS Rules). As such you agree that your orders or transactions will be executed outside a regulated market, multilateral trading facility or organised trading facility. Any trading activity undertaken by ANZ London on such venues is either:

- Execution by ANZ for its own principal trading purposes, including hedging client flow business. In no circumstances will these transactions be booked to a client.
- Execution-only with ANZ acting as principal, with the trade bilaterally negotiated outside the Trading Venue and the client subsequently selecting and contacting ANZ through the Trading Venue on a request for quote basis.

In the second scenario it is unlikely the Four Fold Test will be met given the level of transparency and ability for the client to shop around for prices.

In all other cases, ANZ London will enter into transactions over the counter (“OTC”) as principal such that ANZ London will act as both the counterparty and execution venue. The following factors with respect to OTC transactions versus exchange-traded contracts should be noted:

- Whilst contracts can be tailor made between counterparties, the level of customisation can result in the contract being not as fungible.
- Additionally, as contracts are not standardised, they are not as easily traded so liquidity can be restricted.
- The counterparty risk is driven by the credit standing of the counterparty to the deal. Counterparty risk will be reduced where the OTC product is cleared centrally.

## **7. MONITORING**

We will regularly monitor and assess the effectiveness of our Best Execution arrangements and Best Execution Policy in order to identify and, where appropriate, address any deficiencies, and to achieve our regulatory duty of Best Execution. Relevant assessments will be conducted on a regular basis. Additionally, we will review our Best Execution arrangements and Order Execution Policy at least annually or whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients. We will notify you of any material changes to our Best Execution arrangements or policy.

Our approach to Best Execution is current from the date listed at the beginning of this document, and this approach shall supersede any prior notification or statement we have made in relation to Best Execution.

## **8. GOVERNANCE AND REVIEW**

### **(a) Oversight and Policy Review**

Clients will be notified of any material changes to this Best Execution Policy. A change is material where its disclosure is necessary to enable the client to make a properly informed decision about whether to continue utilising the services of ANZ London.

### **(b) Enquiries**

If you have questions after reading this Best Execution Policy or concerning our dealings with you, we encourage you to contact your Relationship Manager or Sales representative.

