Best Execution Policy (Hong Kong)

Australia and New Zealand Banking Group Limited Hong Kong Branch

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Classification: Public

1. Introduction

The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("SFC Code of Conduct"), together with guidance/circulars issued by the Securities and Futures Commission of Hong Kong (the "SFC") and the Hong Kong Monetary Authority (the "HKMA") on best execution, a licensed or registered person should take all sufficient steps to obtain the best available terms for its clients when placing and/or executing clients' orders for the purchase or sale of financial instruments (refer to section 3). In doing so, firms should take into consideration not only price, but also factors such as costs, speed of execution, likelihood of execution and settlement, size and nature of the order, and any other consideration relevant to the execution of the order ("Best Execution").

This document sets out the approach of Australia and New Zealand Banking Group Limited, Hong Kong Branch ("ANZ Hong Kong") and/or its representatives (collectively referred to in this document as "we", "us", "our") to discharging Best Execution obligations where they apply.

A copy of this Best Execution Policy is made available to our clients to help them understand the terms on which we deal with them and the circumstances in which Best Execution duties may apply, having regard to the nature of the products and services provided and the relevant regulatory requirements in Hong Kong.

2. Scope of the duty of best execution

Best Execution is owed by a firm to its clients when, in respect of a client's order, the client is deemed to rely on the firm in relation to pricing and other parameters of the transaction. In Hong Kong, regulators expect firms to have arrangements (including controls, monitoring and management supervision) to obtain the best available terms and to review those arrangements periodically to ensure Best Execution is achieved consistently.

We may transact with clients in different ways depending on the product and market. In some markets, transactions are commonly carried out on a request-for-quote ("RFQ") basis, where clients typically request quotes from multiple dealers and decide whether to trade based on the quotes received. In such situations, it is often less likely that a client will be relying on a single dealer to protect the client's interests in execution. However, even where Best Execution does not apply, we are still expected to treat clients fairly and manage conflicts of interest appropriately.

Where we are executing an order on your behalf, or where it is determined that you are placing legitimate reliance on us, we will owe you a duty of Best Execution and will take all sufficient steps to obtain the best available terms, taking into account the relevant execution factors (see section 4).

Because whether Best Execution applies can depend on the facts of a particular transaction, we assess reliance by considering the nature and relevant circumstances of the transaction. In doing so, we take into account (on a cumulative basis) the following non-exhaustive factors (often referred to in industry practice as a "four-factor" or "four-fold" test):

Reliance factors we may consider include:

- **Which party initiates the transaction:** where we approach you and suggest that you should enter into a transaction, it is more likely that you may 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 practice in the relevant market suggests that clients take responsibility for pricing and other elements of the transaction by obtaining multiple quotes, it is less likely that you are placing reliance on us.

- **The relative levels of price transparency within a market:** if we have ready access to prices in the relevant market whereas you do not, it is more likely that you are placing reliance on us; where access to pricing transparency is equal or similar, it is less likely that you are placing reliance on us.

- **The information we provide and any agreement reached with you:** where our arrangements and agreements with you do not indicate or suggest a relationship of reliance, it is less likely that you are placing reliance on us.

Most transactions between us and our clients involve either (i) a client requesting to buy or sell a financial instrument, or (ii) a client accepting a price quoted by us to buy or sell a financial instrument. In many markets where pricing is relatively transparent and it is typical practice for clients to approach a number of different dealers for quotes, transactions conducted on a request-for-quote ("RFQ") basis will often not meet the criteria for legitimate reliance on a single dealer. In such circumstances, ANZ may not owe a duty of Best Execution in respect of that transaction (as determined by the reliance assessment described above).

In many RFQ markets, we transact with you as principal (i.e., as your counterparty). In these circumstances, unless Best Execution applies based on the reliance assessment described above, we are not acting as your agent to obtain the best possible price on your behalf (although we remain expected to treat you fairly and manage conflicts of interest appropriately).

ANZ Hong Kong does not transmit client orders to third-party brokers or dealers for execution. However, we may provide prices and execute transactions with you directly and/or via our affiliates or external industry trading platforms where available (for example, electronic multi-dealer platforms), depending on the product and execution method.

In certain circumstances, and for certain products, we may accept instructions to execute or work an order in a specified way (for example, a limit or stop order, or an order worked over a period of time). In these circumstances, the extent of any Best Execution duty will depend on the nature of the order and the discretion we exercise in executing it.

When you provide us with a specific instruction as to how an order is to be executed, we are required to follow that instruction. To the extent we follow your specific instruction(s), we will have satisfied our Best Execution obligation in respect of the aspect(s) of the order covered by those instructions. Where the specific instruction covers only a portion of an order and we retain discretion over other elements, Best Execution may continue to apply to those other elements (subject to the assessment of reliance).

3. Financial Instruments

In Hong Kong, Best Execution arrangements are expected to cover all types of financial instruments in respect of which we execute client orders, including both listed and over-the-counter ("OTC") products, where Best Execution applies. Accordingly, where Best Execution applies, this policy may apply to orders and transactions in financial instruments including (but not limited to) the following categories:

a. Securities / cash instruments:

- Debt instruments, including government bonds and corporate bonds

b. OTC derivatives (including derivatives referencing securities, rates, FX, credit, or commodities):

  - Foreign exchange (“FX”) derivatives, including forwards, swaps and options
  - Interest rate derivatives
  - Credit derivatives
  - Commodity derivatives

c. Structured products

d. Securities financing / financing-style market transactions:

  - Repurchase transactions (repos / reverse repos)
  - Securities financing transactions more broadly (bond forwards, TRS etc)

e. Money market instruments

Instruments and product categories may be added or removed from time to time depending on our business and the services we provide.

4. Execution factors

Where the Best Execution obligation applies, we will take all sufficient steps to obtain the best available terms for you by taking into account a range of execution factors, which may include:

a. price;

b. costs;

c. speed of execution;

d. likelihood of execution and settlement;

e. size and nature of the order; and

f. any other consideration relevant to the execution of the order having regard to the prevailing market conditions.

The relevance and relative importance of these execution factors may vary depending on the circumstances, including the characteristics of (i) you as a client, (ii) your order, (iii) the financial instrument, and (iv) where applicable, the execution venue(s) or liquidity sources available.

We will generally place significant importance on achieving the best overall outcome for you, which in many cases will be reflected in the “all-in” price (i.e., the total consideration inclusive of relevant costs). However, there may be circumstances where obtaining the best immediately available price may not result in the best possible outcome (for example, where there is limited liquidity, where an order is large relative to available market liquidity, or where you instruct us to execute over a period of time or by reference to a benchmark). In such circumstances, we may give greater relative weight to other execution factors such as likelihood of execution, speed, or market impact.

Where you provide us with specific instructions in relation to an order (for example, specifying a venue, time, price level, or execution strategy), and we accept those instructions, we will follow them. To the extent we follow your specific instruction(s), our Best Execution obligation will be satisfied in respect of the aspect(s) of the order covered by those instructions. Where your specific instruction covers only part of the order and we retain discretion over other aspects, Best Execution may continue to apply to those other aspects.

While we take Best Execution seriously and aim to apply this policy consistently, Best Execution does not mean we can guarantee that the best possible outcome will be achieved for every order on every occasion. There may be circumstances beyond our control (including, for example, market disruption or system unavailability) that may affect the timing or manner of execution. In those circumstances, we will seek to act reasonably and in accordance with applicable regulatory expectations, having regard to all relevant circumstances.

This policy is intended to explain our approach to Best Execution and does not, by itself, create additional contractual rights or remedies in respect of any transaction, beyond those that may exist under applicable law, regulation, or the terms of our agreement with you.

5. Monitoring and Governance

Oversight and Policy Review

We will regularly monitor and assess the effectiveness of our Best Execution Policy and associated arrangements in order to fulfil the regulatory requirements applicable to us. Relevant assessments will be conducted on a regular basis to identify and, where appropriate, address any deficiencies. Additionally, we will review our Best Execution Policy and associated arrangements on annual basis or whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients.

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. This Policy is available at https://institutional.anz.com/about-anz-institutional/disclosures ("Disclosure Page") and may be updated from time to time to address changing regulatory, industry and other applicable developments or internal policies. Please check the Disclosure Page to ensure that you have the latest version of this Policy.

Enquiries

If you have questions after reading this Best Execution Policy or about our execution arrangements, please contact your Relationship Manager or Sales representative.