

Foreign Exchange Order Execution and Order Handling Guidelines

INSTITUTIONAL BANKING AND MARKETS

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1. Introduction

1.1. Context and Purpose

- 1.1.1. This Standard outlines how Client orders are handled and executed in the IB&M Global Markets FX Business.
- 1.1.2. This Standard is designed to articulate the conduct expectations of Traders and Sales in handling and executing Client orders to ensure compliance with relevant Regulatory obligations and the FX Global Code of Conduct.
- 1.1.3. This Standard applies to any type of order received from a Client for any FX product.

1.2. Definitions

- 1.2.1. **Orders** - Any instruction communicated to the bank by a Client, including, but not limited to, the below.
 - 1.2.1.1. **At Best Order** - an order where the Client has given discretion to the bank to execute at the best available price. The Client may specify parameters such as the time frame; ranges or market profile.
 - 1.2.1.2. **Resting Order/Take Profit Order** - a contingent order to buy or sell a specified notional amount when a reference price has reached or passed a pre-defined trigger level.
 - 1.2.1.3. **Stop Loss Order** - a contingent order which triggers a buy or sell for a specified notional amount when a reference price has reached or passed a pre-defined trigger level.
 - 1.2.1.4. **Benchmark Fix Order** - an order to buy or sell a specified notional amount at an officially recognised Benchmark Fixing rate. E.g. London 4pm Fix.
 - 1.2.1.5. **All or Nothing Order** – any type of the above orders where the Client has additionally requested to only receive a complete fill of their notional. Where liquidity prevents this the Client receives no fill and any fill becomes part of the Trader's position.
- 1.2.2. **Execution** – orders will be executed when the Trader agrees to be bound by the terms of the order as communicated to the bank by the Client.



- 1.2.3. **Sales** – refers to any staff member who assists Clients to manage their risk through the offer of bank products and services. Sales also includes staff in structuring roles.
- 1.2.4. **Traders** – refers to staff members who have delegations to price, execute and risk manage transactions.

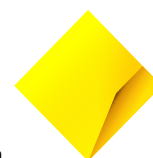
2. Principles

2.1. General Principles

- 2.1.1. CBA acts as a Principal in all FX transactions with clients. That is, CBA will enter into transactions with clients and take the other side of transactions whereby CBA takes on risk associated with the transaction including market, credit and settlement risk. All Client orders should be treated confidentially and only disclosed on a need to know basis.
- 2.1.2. Pre-hedging of any order may occur only on an exceptions basis with approval from the Desk Head.
- 2.1.3. The London 4pm FX Fix is an exception to 2.1.2 where transacting any client order over time before, during or after its fixing calculation window is acceptable, so long as it does not intentionally negatively impact market price and outcome to the client. This aligns with the Global FX Code of Conduct.
- 2.1.4. Dealers must be clear whether prices they are providing are firm or merely indicative.
- 2.1.5. Where an order is cancelled by the Client, any amount executed up to that point in time must be passed in full to the Client.
- 2.1.6. Where an order is partially filled, the amount that has been executed must be passed in full to the Client.
- 2.1.7. It is the responsibility of Dealers to decline a Client order which they reasonably believe is likely to damage market integrity. Any such instance should be escalated to Management and IB&M Conduct.

2.2. Benchmark Fix Principles

- 2.2.1. Dealers should understand the risks and be aware of the appropriate procedures when handling and executing Benchmark Fix orders.
- 2.2.2. Dealers should not, whether by collusion or otherwise, inappropriately share information or attempt to influence the exchange rate.
- 2.2.3. Dealers should not intentionally influence the benchmark fixing rate to benefit from the fixing, whether directly or in respect of any Client-related flows at the underlying fixing
- 2.2.4. Dealer must follow internal guidelines and procedures for collecting and executing Fixing Orders.
- 2.2.5. Dealers must not execute any trades based on non-public Benchmark Fix order information, unless they are the dealer responsible for Benchmark Fix execution.
- 2.2.6. Examples of poor practices:
 - 2.2.6.1. Traders must not buy or sell a larger amount than the Client's interest within seconds of the fixing calculation window with the intent of inflating or deflating the price against the Client.
 - 2.2.6.2. Traders must not buy or sell an amount shortly before a fixing calculation window such that there is an intentionally negative impact on the market price and outcome to the Client.



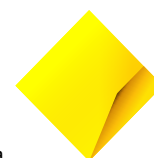
- 2.2.6.3. Traders must not show large interest in the market during the fixing calculation window with the intent of manipulating the fixing price against the Client
- 2.2.6.4. Dealers must not inform others of a specific Client dealing at a fixing rate
- 2.2.6.5. Dealers must not act with other Market Participants to inflate or deflate a fixing rate against the interests of a Client.
- 2.2.7. Dealers must only transact in approved Benchmark fixes, being:
 - 2.2.7.1. WM/R London 12pm
 - 2.2.7.2. WM/R London 4pm
 - 2.2.7.3. WM/R Sydney 10am
 - 2.2.7.4. WM/R Tokyo 4pm
- 2.2.8. Dealers may request to add a Benchmark Fix order through a valid business case supporting expanded offering. This requires their desk head and Managing Director support. The request will be assessed for both terms of quantum (how many) and volume (market impact).

2.3. Sales Responsibilities

- 2.3.1. This Standard applies to any type of order received from a Client for any FX product.
- 2.3.2. Sales must ensure that Clients understand that all orders are executed on a 'Best Efforts' basis only. This seeks to achieve the best outcome for the Client on all executions.
- 2.3.3. Clients should be informed that orders may be aggregated where there is no disadvantage to a particular order or the fill the Client receives.
- 2.3.4. All Client orders must be communicated to the Trader or entered into relevant order management system in the order in which they are received.
- 2.3.5. All relevant particulars of an order must be passed in full to the Trader, e.g. Client name, instrument, price, size, specific instructions.
- 2.3.6. Sales must include their Service Factors, as defined in the [FX Cost of Service Standards](#), in the price communicated to the Trader to enable the order level to be inclusive of this amount.
- 2.3.7. Filled orders must be notified to the Client, and booked in the relevant system, as soon as possible after execution in line with desk operating procedures.

2.4. Traders Responsibilities

- 2.4.1. Traders must execute orders received on a 'Best Efforts' basis only. This seeks to achieve the best outcome for the Client on all executions.
- 2.4.2. Traders must not enter into transactions with the intention of triggering Stop Loss orders. Traders should be cognisant of pending Stop Loss orders and take care when executing transaction that could have the effect of triggering a Stop Loss order inadvertently.
- 2.4.3. Stop Loss orders should be executed on the rate going bid, offered or touching once as appropriate based on the Client's instructions. This should be applied in all cases unless specific instructions otherwise are received from the Client and are agreed with the Trader.



- 2.4.4. Orders should be executed in the order in which they are received, unless precluded from doing so by system limitations.
- 2.4.5. Orders may be aggregated with other Client orders or CBA orders where doing so will not disadvantage any Client or the fill they receive. Where a Trader aggregates a Client order with a transaction for own account, and the aggregated order is partially executed, the Trader will allocate to the Client in priority to CBA.
- 2.4.6. Where an order is executed, a Trader must pass the full amount executed to the Client.
- 2.4.7. If a Trader receives an offsetting transaction during the execution window for an existing order, they have the option to either execute separately or nett off the position within the order.
- 2.4.8. A Trader may decide not to completely fill an order in the market, instead opting to leave an open risk position in their trading book. This will not impact the fill that the Client receives.
- 2.4.9. Trading Desk Heads are responsible for ensuring execution of client orders by their staff meets the required Standards, Codes of Conduct and that conflicts of interest are managed appropriately.

2.5. Order taking process

- 2.5.1. All orders received from Clients must be recorded in line with individual desk Standard Operating Procedures, having consideration for Client confidentiality and Information Barriers required for any order.
- 2.5.2. Orders must be recorded in the order in which they are received.

3. Consequences

- 3.1. Unauthorised or inappropriate handling or execution of Client orders may result in disciplinary action including dismissal.
- 3.2. Any suspected contravention of this Standard will be subject to the IB&M and Group Treasury Potential Misconduct escalation Process.

