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## **ORDER EXECUTION POLICY**

### **1 General Information about this Policy**

#### **1.1 Background**

CLSA UK ("**CLSA**") provides general broker dealer and other ancillary services to its clients. It is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "**FCA**") and is an investment firm subject to the requirements of the rules of the FCA (the "**FCA Rules**") that implement the Markets in Financial Instruments Directive 2014/65/EU ("**MiFID II**").

CLSA executes orders in relation to financial instruments on behalf of its clients. There are two methods that it can use to execute those orders that are distinguished for the purposes of the FCA Rules.

- (A) First, CLSA can execute the relevant transaction on behalf of the client directly with a counterparty or on an exchange or other trading system (e.g., by dealing directly with a market maker on a "request for quote" basis). The counterparty, exchange or trading system with which CLSA chooses to execute such a transaction is referred to in this policy as an "**Execution Venue**". In accordance with the FCA Rules, an Execution Venue can include an EEA regulated market, or other exchange, a multilateral trading facility, organised trading facility, a systematic internaliser, a market maker or other liquidity provider or non-EEA entity performing similar functions to the Execution Venues listed above.
- (B) Secondly, CLSA can place an order as agent with a third party (e.g., another broker or investment bank) and/or any of its affiliates for that third party or affiliate to execute on behalf of the client. Such entities are referred to in this policy as "**Brokers**".

CLSA will generally execute orders on behalf of its clients with third party Execution Venues or Brokers by dealing as agent for its clients. However in relation to fixed income and currency instruments CLSA will act as principal.

#### **1.2 CLSA's Core Best Execution Obligations**

In accordance with the FCA Rules, CLSA is required to take all sufficient steps to obtain the best possible result for its clients when executing orders for its clients (i.e., to obtain best execution).

The obligation to take all sufficient steps to obtain the best possible result for clients does not apply where CLSA has categorised its clients as "**eligible counterparties**" for the purposes of the FCA Rules (except where CLSA has agreed with an eligible counterparty that it *will* take all sufficient steps to obtain the best possible result). In relation to its dealings with eligible counterparties, however, CLSA will strive to act in such clients' best interests and will take reasonable steps to prevent or manage any conflicts of interest that it may have in accordance with its obligations under the FCA Rules.

In seeking to obtain best execution, CLSA is required:

- (A) to take all sufficient steps to obtain the best possible result for its clients, taking into account certain "**execution factors**" - price; costs; speed; likelihood of execution and settlement; size of the transaction; nature of the transaction; or any other consideration relevant to execution. Under CLSA's policy, such other considerations can include (without limitation) the overall cost of the transaction (including any commissions received by CLSA and/or its affiliates or any costs for executing the order on an execution venue); timely execution availability of price improvement; the potential impact of the transaction on price; importance of retaining commercial confidentiality in relation to trading activities or intentions; liquidity of the market (which may make it difficult to execute an order); order information leakage; trading conflict; market conduct; market impact; venue liquidity and counterparty risk.

The relative importance of these factors shall be determined by reference to the "**execution factors**" being:

- (1) the characteristics of the client including the categorisation of the client as a professional client;
  - (2) the characteristics of the client order;
  - (3) the characteristics of the financial instrument that is subject to the order; and
  - (4) the characteristics of the Brokers and/or Execution Venues to which that order can be directed;
- (B) to establish and implement a policy (set out in section 2 below) to enable it to comply with the obligation to take all sufficient steps to obtain the best possible result for its clients. The policy must identify, in respect of each relevant class of instruments:
- (1) in the case of orders that CLSA places with a Broker for execution, each such Broker. The Brokers identified must have execution arrangements that will enable CLSA to comply with its obligations in relation to best execution;
  - (2) in the case of transactions that CLSA itself executes directly on behalf of its clients, the Execution Venues on or with which it executes those transactions. The Execution Venues identified must at least include those that enable CLSA to obtain on a consistent basis the best possible result for the execution of client orders; and
  - (3) the factors affecting CLSA's choice of Brokers and Execution Venues;
- (C) to provide appropriate information (some of which is prescribed by the FCA Rules) to its clients on the policy and to obtain clients' consent to the policy;
- (D) to monitor on a regular basis the effectiveness of the policy and, in particular, the execution quality of the Brokers and Execution Venues

identified in that policy and, where appropriate, correct any deficiencies; and

- (E) to review the policy at least annually and whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for its clients; and to notify you of any material changes to our order execution arrangements or this policy.

## 2 The Execution Policy

2.1 This is the policy referred to above which is required by the FCA Rules.

2.2 All CLSA employees who are responsible for placing orders with Brokers for execution by those Brokers and/or for directly executing transactions on behalf of clients must ensure that any such activities are conducted in accordance with the requirements and guidance set out in this Policy.

### **Application**

2.3 This policy will not apply to the extent that CLSA:

(A) follows specific instructions from a client when executing client orders or placing an order with, or transmitting an order to, another entity for execution. CLSA will execute in accordance with those instructions. **Clients should be aware that following specific client instructions may prevent CLSA from taking steps it has designed and implemented in this Policy to obtain the best possible execution result for those orders.** Where a client's specific instructions only relate to part of an order, this policy will apply to those aspects of the order not covered by the specific instructions. CLSA may be in receipt of specific instructions from clients where it receives orders from clients via a direct market access system which specify the Execution Venue on which such orders are to be executed. In following specific instructions, CLSA shall be deemed to have taken all sufficient steps to obtain the best possible result in respect of an order for its client;

(B) only provides prices to its clients at which it would be willing to buy or sell (without dealing); or

(C) deals with its clients on a 'request for quote' ("**RFQ**") basis and the quote would meet the firm's obligations to take all sufficient steps to obtain the best possible result if the firm executed that quote at the time it was provided (unless the quote is manifestly out of date).

2.4 CLSA does not, and does not have permission to, deal with retail clients (as defined in the FCA Rules). This means that CLSA is entitled to assess the best possible result for its clients in terms of the various execution factors and not simply on the basis of the total consideration (price and cost). As explained above, CLSA shall not owe an obligation to obtain best execution when it deals with clients whom it has categorised as eligible counterparties for the purposes of the FCA Rules (except where CLSA has agreed with an eligible counterparty that it *will* take all sufficient steps to obtain the best possible result).

### **Fixed Income**

- 2.5 CLSA's Fixed Income department operates on a purely RFQ basis whereby most clients are not legitimately relying on CLSA in relation to the execution of transaction on the basis that the nature of the market is that a client will generally request quotes from a number of different dealers from which the client will have transparency and choice of the prices at which transactions can be effected in the market. In accordance with the FCA Rules, RFQ markets are not subject to the general provisions of the FCA's Best Execution requirements and therefore do not apply.
- 2.6 However, where a client is relying on CLSA to work a specific order, CLSA will, subject to specific instructions from the client, provide a quote that meets CLSA's obligation to take all sufficient steps to obtain the best possible result for its client.

### **Execution Venues**

- 2.7 CLSA may use one or more of the types of Execution Venue as set out in section 1.1(A) above.
- 2.8 CLSA may execute orders on behalf of clients directly on exchanges, multilateral trading facilities or organised trading facilities.
- 2.9 Schedule 1 to this policy lists the particular Brokers and Execution Venues used by CLSA to execute orders.

### **Placing Orders with Brokers**

- 2.10 In choosing the Brokers that appear in Schedule 1, CLSA has taken care to select those Brokers that, in CLSA's view, consistently provide a high quality execution service, taking account of the relevant execution factors for the relevant Instrument Class. In general CLSA will select affiliates as Brokers where possible. When it is not possible to select an affiliate, CLSA will enter into arrangements with Brokers based upon cost, their ability to execute independently, their market reputation, their technology and their competitive positioning. Where CLSA places an order with a Broker for execution by that Broker, CLSA is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order (e.g., CLSA does not control the Broker's choice of execution venues, such as exchanges, multilateral trading facilities or organised trading facilities). CLSA is not required to duplicate the efforts of the Broker to whom an order is passed in ensuring the best possible result.

### **Direct Execution of Orders**

- 2.11 In choosing the Execution Venues that appear in Schedule 1, CLSA has taken care to select those Execution Venues that, in CLSA's view, enable it to obtain on a consistent basis the best possible results for its clients. The selection process takes into account such factors as liquidity, integrity of marketplace and price formation. CLSA may use direct market access facilities (e.g., trading systems provided by its Brokers that allow it to transact (in the Broker's name) directly on a regulated market) to effect the execution of trades on behalf of its clients.

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**Choosing Between Order Placement and Direct Execution**

- 2.12 CLSA will determine whether to place an order with a Broker or to execute an order directly on an Execution Venue according to the nature of the order and the market in which the relevant order is to be executed. In determining whether to place an order with a Broker or to execute directly, CLSA will have regard to the relative importance of the execution factors. In certain markets, it will only be possible to execute client orders by placing them with a Broker in the relevant market.

**Executing / Placing Orders with Execution Venues / Brokers that are not listed in Schedule 1**

- 2.13 CLSA employees must not directly execute orders with an Execution Venue or place orders with a Broker that is not listed in Schedule 1 to this policy unless there are exceptional circumstances. Exceptional circumstances might include where CLSA wishes to trade in an unusual financial instrument that cannot be executed with or by one of the Execution Venues or Brokers already listed (either at all or in a manner that would be likely to achieve the best possible result for the client). Any execution of a transaction with an Execution Venue or placing of an order with a Broker that falls outside the list of Execution Venues and Brokers must be pre-approved by CLSA's Best Execution Committee. CLSA's procedures for assessing new Brokers and Execution Venues include a requirement for them to be assessed in terms of their ability to enable CLSA to comply with its obligations under this policy and to be included within Schedule 1 before trading with, or on, them can commence.

**Relative importance of execution factors for Equities**

- 2.14 Each order is reviewed by a sales trader who will evaluate the order in the context of the execution factors, and trade directly as appropriate or transmit the order to a Broker with specific trading instructions.
- 2.15 CLSA or its Broker will take into account a range of execution factors. The usual order of priority will be as follows:
- (A) price;
  - (B) speed;
  - (C) likelihood of execution;
  - (D) size;
  - (E) costs; and
  - (F) any other relevant execution factor (including those set out in paragraph 1.2(A) above).
- 2.16 However, various execution factors may be more or less important in certain circumstances, and the prioritisation will be subject to any specific instructions CLSA receives from the client.
- 2.17 In particular, in illiquid markets CLSA will prioritise the key execution factors in the following way:

- (A) likelihood of execution;
- (B) price;
- (C) speed;
- (D) size;
- (E) costs;
- (F) any other relevant execution factors.

### **Relative importance of execution factors for Fixed Income**

- 2.18 As described in paragraph 2.5 above, CLSA mostly operates on RFQ basis in respect of Fixed Income and so is not required to comply with the FCA's Best Execution rules. However, in the exceptional circumstances where a client is relying on CLSA to work an order, the prioritisation of execution factors is as above.

### **Execution strategies**

- 2.19 The sales trader may consult the client to discuss the trade execution strategy which may involve discussing various execution factors. Information provided by the client may impact the execution strategy CLSA uses. CLSA's strategy may include executing orders immediately, or working orders over a period of time.
- 2.20 These considerations are part of all sufficient steps CLSA takes to obtain the best possible execution result on a consistent basis in accordance with the FCA Rules.

### **The factors affecting the choice of Execution Venue or Broker**

- 2.21 In relation to an order, an Execution Venue or Broker will be selected as is appropriate in view of the size and nature of the relevant order. CLSA will select Execution Venues and Brokers based on their track records of achieving the best result in terms of the execution factors taking into account, in particular, the geographic and market coverage of the relevant Execution Venue or Broker.

### **Over-the counter trades**

- 2.22 When executing orders or using a Broker to deal in financial instruments over-the-counter, CLSA will check that the price quoted is fair by taking into account market data, including comparing that price with similar instruments (where available).
- 2.23 There may be counterparty risk when executing an order outside a trading venue. On request by the client, CLSA can provide additional information about the potential impact on the execution of orders when executing over-the-counter.

### **Monitoring and Reviewing this Policy**

- 2.24 CLSA has an obligation to monitor the effectiveness of its order execution arrangements and this policy. This obligation has been incorporated into CLSA's general compliance monitoring process and business procedures and policies.

- 2.25 CLSA assesses, on a regular basis, whether the execution venues listed in Schedule 1 provide the best possible result for clients or whether it needs to make changes to its execution arrangements. The assessment takes into account the information on execution quality published by execution venues and brokers in accordance with MiFID II. CLSA also conducts regular reviews through random sampling of transactions to ascertain whether the best possible result was obtained in respect of those transactions.

### **Review of Policy**

- 2.26 At least annually, CLSA will review this policy and its execution arrangements. The review will focus on whether CLSA would obtain better results for its clients if it was to:
- (A) include additional or different Execution Venues or Brokers;
  - (B) assign a different relative importance to the execution factors; or
  - (C) modify the process by which Execution Brokers and Venues are selected
  - (D) modify any other aspects of this policy and/or its execution arrangements.

CLSA will also review this policy and/or its execution arrangements whenever a material change occurs that could affect its ability to obtain the best possible result for the execution of its clients' orders on a consistent basis, for example, a significant event that could impact the parameters of best execution such as the execution factors specified in section 1 above. CLSA will assess whether a material change has occurred and consider making changes to the relative importance of the best execution factors.

The reviews will be supervised by Compliance and this requirement has been incorporated into CLSA's compliance monitoring process.

### **Client Notification / Consent Requirements**

- 2.27 CLSA has an obligation to provide its clients with appropriate information on this policy. Where CLSA executes orders on behalf of a client, it will also have an obligation to obtain the client's consent to this policy. By accepting our terms of business, you consent to your transactions being executed in accordance with this policy.
- 2.28 To the extent that CLSA makes any material changes to this policy (whether pursuant to the review process or otherwise), it will notify the changes to its clients. Compliance will ensure that such notifications are made.

**Annual Publication of Top 5 Execution Venues**

- 2.29 Each year CLSA will publish data on the top five Execution Venues and the top five Brokers CLSA has used during the previous year. The top five Execution Venues and Brokers will be based on trading volume [(i.e. the number of financial instruments traded times price for each transaction, cumulated for the year)] for each class of financial instrument for the preceding year.
  
- 2.30 CLSA will also publish an annual report on CLSA's website providing a summary of the analysis and conclusions drawn from CLSA's monitoring of the quality of execution obtained on the Execution Venues.

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**Schedule 1 - Execution Venues and Financial Instruments**

The classes of financial instruments are set out in **Annex 1 of Delegated Regulation (EU) 2017/576**. For ease of reference, they have been included below:

- 1. Equities – Shares & Depositary Receipts**
  - a. Tick size liquidity bands 5 and 6 (from 2 000 trades per day)
  - b. Tick size liquidity bands 3 and 4 (from 80 to 1 999 trades per day)
  - c. Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)
- 2. Debt instruments**
  - a. Bonds
  - b. Money markets instruments
- 3. Interest rates derivatives**
  - a. Futures and options admitted to trading on a trading venue
  - b. Swaps, forwards, and other interest rates derivatives
- 4. Credit derivatives**
  - a. Futures and options admitted to trading on a trading venue
  - b. Other credit derivatives
- 5. Currency derivatives**
  - a. Futures and options admitted to trading on a trading venue
  - b. Swaps, forwards, and other currency derivatives
- 6. Structured finance instruments**
- 7. Equity Derivatives**
  - a. Options and Futures admitted to trading on a trading venue
  - b. Swaps and other equity derivatives
- 8. Securitized Derivatives**
  - a. Warrants and Certificate Derivatives
  - b. Other securitized derivatives
- 9. Commodities derivatives and emission allowances Derivatives**
  - a. Options and Futures admitted to trading on a trading venue
  - b. Other commodities derivatives and emission allowances derivatives
- 10. Contracts for difference**
- 11. Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)**
- 12. Emission allowances**
- 13. Other instruments**

**1. Equities**

This Instrument Class includes equities and depositary receipts.

CLSA may use the following Brokers and Execution Venues in respect of transactions in financial instruments falling within this Instrument Class:

<b>Country</b>	<b>Brokers</b>	<b>Execution Brokers &amp; Execution Venues</b>
Australia	CLSA Australia Pty. Ltd.  CLSA Global Markets Pte Ltd.	Australian Securities Exchange Ltd, (ASX)  CHI-X Australia  CLSA Australia Pty. Ltd. (Internal Crossing Engine).
China	CLSA Limited  CLSA Global Markets Pte Ltd.	Fortune CLSA Securities  CITIC Securities  Shanghai Stock Exchange (SSE)  Shenzhen Stock Exchange (SZSE)
Hong Kong S.A.R.	CLSA Limited  CLSA Global Markets Pte Ltd.	The Stock Exchange of Hong Kong Limited (HKEX)  CLSA Limited (Alternative Liquidity Pool)  Block Event*
India	CLSA India Private Limited  CLSA Global Markets Pte Ltd.	Bombay Stock Exchange Limited (BSE)  National Stock Exchange of India Ltd. (NSE)
Indonesia	CLSA Limited  CLSA Global Markets Pte Ltd.	PT CLSA Sekuritas Indonesia  Indonesia Stock Exchange (IDX)

Japan	<p>CLSA Singapore Pte Ltd</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>CLSA Securities Japan Co., Ltd</p> <p>SBI JAPANNEXT Co., Ltd.</p> <p>CLSA Securities Japan Co., Ltd (Internal Crossing Engine).</p> <p>Tokyo Stock Exchange, Inc. (TSE)</p> <p>Chi-X Japan</p>
Korea	<p>CLSA Securities Korea Ltd</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>Korea Exchange (KRX)</p>
Malaysia	<p>CLSA Limited</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>CLSA Securities Malaysia Sdn. Bhd</p> <p>Bursa Malaysia Berhad (KLSE)</p>
Philippines	<p>CLSA Limited</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>The Philippine Stock Exchange, Inc. (PSE)</p>
Singapore	<p>CLSA Limited</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>CLSA Singapore Pte. Ltd.</p> <p>Singapore Exchange Limited (SGX)</p>
Taiwan	<p>CL Securities Taiwan Co. Ltd.</p> <p>CLSA Global Markets</p>	<p>Taiwan Stock Exchange Corporation (TWSE)</p>

	Pte Ltd.	
Thailand	<p>CLSA Limited</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>CLSA Securities (Thailand) Ltd</p> <p>The Stock Exchange of Thailand (SET)</p>
USA	<p>CLSA Americas LLC</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>New York Stock Exchange (NYSE)</p> <p>National Association of Securities Dealers Automated Quotations (Nasdaq)</p> <p>American Express (Amex)</p> <p>New York Stock Exchange Market</p> <p>New York Stock Exchange Archipelago Exchange (NYSE ARCA)</p> <p>Investors Exchange (IEX)</p> <p>BATS EDGA</p> <p>BATS EDGX</p> <p>BIDS</p> <p>Level Alternative Trading System (ATS)</p> <p>UBS Alternative Trading System (ATS)</p> <p>Deutsche Bank Super Cross (SuperX)</p> <p>Bank of America Merrill Lynch InstinctX (BAML InstinctX)</p> <p>Morgan Stanley Pool (MS Pool)</p> <p>Credit Suisse Crossfinder (CS Crossfinder)</p> <p>Goldman Sachs <b>Sigma</b> X (Goldman SigmaX)</p> <p>Barclays LX</p> <p>JP Morgan Cross</p> <p>Virtu Matchit (FKA KCG Matchit)</p> <p>Instinet Cross Border Xpress (Instinet CBX)</p>

		<p>Integrated Technology Group POSIT (ITG Posit)</p> <p>CrossStream (Fidelity Capital Markets crossing network)</p> <p>BlockCross (recently merged with Instinet)</p> <p>Liquidnet</p> <p>Coda Markets Automatic Trading Station – ATS (Parent company is PDQ enterprises)</p>
New Zealand	<p>CLSA Limited</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>Craigs Investment Partners Limited</p> <p>NZX Limited (NZX)</p>
Bangladesh	<p>CLSA Limited.</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>BRAC EPL Stock Brokerage Ltd.</p> <p>Lanka Bangla Securities Ltd.</p> <p>Dhaka Stock Exchange Limited (DSE)</p>
Sri Lanka	<p>CLSA Limited.</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>John Kheells, Stockbroking</p> <p>Colombo Stock Exchange (CSE)</p>
Vietnam	<p>CLSA Limited.</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>Saigon Securities (SSI)</p> <p>Ho Chi Minh Securities (HCM)</p> <p>Ho Chi Minh Stock Exchange (HOSE or HSX)</p> <p>Hanoi Stock Exchange (HNX)</p>
Pakistan	<p>CLSA Limited.</p> <p>CLSA Global Markets Pte Ltd.</p>	<p>BMA Capital</p> <p>Alfalah Securities</p> <p>Intermarket Securities (IMS)</p> <p>Arif Habib Limited</p> <p>Pakistan Stock Exchange Limited (PSX)</p>

Other Global Markets ADx	CLSA Global Markets Pte Ltd.  ITG Europe Limited.  Kepler Cheuvreux	<a href="http://www.itg.com/assets/Order-Execution-Policy-for-ITG-in-Europe1.pdf">http://www.itg.com/assets/Order-Execution-Policy-for-ITG-in-Europe1.pdf</a>  <a href="https://www.keplercheuvreux.com/pdf/Execution_Policy.pdf">https://www.keplercheuvreux.com/pdf/Execution_Policy.pdf</a>  <a href="https://www.redburn.com/wp-content/uploads/2018/01/Order-Execution-Policy-January-2018.pdf">https://www.redburn.com/wp-content/uploads/2018/01/Order-Execution-Policy-January-2018.pdf</a>  <a href="https://content.redburn.com/execution/Redburn%20Approved%20Trading%20Venues.pdf">https://content.redburn.com/execution/Redburn%20Approved%20Trading%20Venues.pdf</a>
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\*Block Event is a cross system registered with the Australian Securities and Investments Commission (an “ASIC Registered Crossing Engine”) which is operated by BestEx Asia Limited (“BestEx”), a licensed corporation regulated by the Securities and Futures Commission (the “SFC”) with C.E. number BIC424. The relevant Crossing System Information can be found at <https://www.blockevent.com/asic-disclosures-np>.

Note: We will only instruct CLSA Limited to execute orders in Block Event where you instruct us to do so.

The vast majority of equities transactions would be effected by executing with a Broker in the market to which the relevant order relates.

## 2. Debt Instruments

### a. Bonds

This instrument class includes treasury bonds, corporate bonds, sovereign and quasi sovereign bonds and currency bonds. In respect of transactions in instruments falling within this instrument class, CLSA will act in principal capacity.

Venues	Other
MarketAxess MTF	OTC voice trades
Bloomberg MTF	

### b. Money market instruments

This instrument class includes certificates of deposit. In respect of transactions in instruments falling within this instrument class, CLSA will act in principal capacity.

Venues	Other
MarketAxess MTF	OTC voice trades
Bloomberg MTF	