



BEST EXECUTION POLICY – SINGAPORE

1. INTRODUCTION

1.1 Definitions

“**MAS**” refers to the Monetary Authority of Singapore.

“**CMSL**” refers to capital markets services licence issued by the MAS.

“**SFA**” refer to the Securities and Futures Act (Cap. 289).

“**MAS Notice**” refers to Notice SFA 04-N16 on Execution of Customers’ orders

“**Institutional Investor**” or “**Accredited Investor**” has the same meaning as each defined in section 4A of the SFA.

“**CLSA**” refers to CLSA Singapore Pte. Ltd. and/or CLSA Global Markets Pte. Ltd., which are CMSL holders for dealing in capital markets products.

“**Customer**” means in relation to CLSA carrying on business in dealing in capital markets products, a person, other than an Institutional Investor, on whose behalf, or with whom, CLSA (either directly or through its agent) deals or will deal in capital markets products, and whom has a contractual relationship with CLSA for such transactions.

“**Best Execution**” means to place and execute orders from Customers on the best available terms.

“**Execution Venues**” refer to exchanges or alternative venues where the execution of trades take place, such as dark pools, liquidity providers and market makers.

1.2 Background

CLSA carries on business in dealing in capital markets products on behalf of or with customers who are Institutional Investors or Accredited Investors only.

In respect of Customers of CLSA who are not Institutional Investors (i.e. Accredited Investors), CLSA is required under the MAS Notice to establish and implement written Best Execution policies and procedures; and to place and execute comparable Customers’ orders in accordance with the time of receipt of such orders. Such written policies and procedures must be commensurate with the nature, scale and complexity of its business.

1.3 Applicable Entities and Business Lines

CLSA operates the following capital markets businesses in Singapore, which the Best Execution requirements may apply (please refer to Section 2.3 below for the applicability for each business line and product):

- i) Institutional Equities
- ii) Equity Derivatives
- iii) FICC

This policy does not apply to other CLSA entities in Singapore, which are CMSL holders for fund management, as the business activities of such entities do not involve any placement or execution of Customers' order for purchase or sale of any capital markets products.

All sales traders, traders and dealers who handles orders of a Customer of CLSA are subject to this policy. In circumstances where Best Execution obligation is not owed to the Customer, CLSA will act honestly, fairly and professionally when executing such Customers' orders and adopt the requirements set out in this policy where possible as a best practice.

2. APPLICATION OF BEST EXECUTION

2.1 Determining Factors on Applicability of Best Execution Obligations

CLSA deals in capital markets products with Customers who are Accredited Investors only, and not retail investors. Accredited Investors are generally deemed to be more sophisticated and it is legitimate/reasonable under certain circumstances that Customers who are Accredited Investor do not rely on the CMSL holder for Best Execution.

Under the MAS Notice, the CMSL holder is required to assess and document its assessment to determine, the circumstances under which a Customer who is an Accredited Investor does not rely on the CMSL holder for Best Execution.

CLSA will consider the following factors to determine whether it has Best Execution obligations to the Customer:

- i) Trading discretion – whether CLSA is required to exercise discretion in relation to the execution of such Customer's order and the Customer reasonably/legitimately relies on CLSA in relation to the exercise of such discretion.
- ii) Instructions of the Customer - whether the Customer specifies the venue, price and/or the manner at which the order should be executed.

- iii) The party who initiates the transaction – where CLSA approaches a Customer and advises a Customer on a transaction, it is more likely that the Customer will be placing reliance on CLSA. Where a Customer initiates the transaction, it is less likely that the Customer will be placing reliance on CLSA.
- iv) Trading capacity, market practice and the existence of a convention to “shop around” – in particular for principal to principal transactions, where the practice in the market in which a business area operates suggests a Customer takes responsibility for the pricing and other elements of the transaction (e.g. there is a market convention to “shop around” for a quote), it is less likely that the Customer will be placing reliance on CLSA.
- v) Relative levels of price transparency within a market – if CLSA has ready access to prices in the market in which CLSA operates, whereas the Customer does not, it is more likely that the Customer will be placing reliance on CLSA, whereas if CLSA’s access to pricing transparency is equal to or similar to the Customer’s, it is less likely that the Customer will be placing reliance on CLSA.
- vi) Information provided by CLSA and any bilateral agreement reached – for a bilateral contract between CLSA and the Customer, each acting as principal, and where such agreement documents the principal capacity and no fiduciary duty on the part of CLSA or other non-reliance clauses, there should not be a legitimate basis for the Customer to place reliance on CLSA.

2.2 Exceptions on Application

Generally, this Policy does not apply in the following circumstances:

- i) Specific order instruction - when CLSA places and/or executes an order following specific instruction from the Customer, it would be regarded as having satisfied its Best Execution obligations in respect of the part or aspect of the order to which the Customer’s instruction relates.
- ii) Direct Market Access (“DMA”) orders – the Customer would be deemed to have given CLSA a specific instruction when the Customer transacts directly through an electronic trading platform including DMA platforms, as the Customer will have discretion over the order execution (including selecting adequate parameters for the order to be executed) instead of a CLSA trader.
- iii) Negotiated trades/cross trade – where CLSA acts as agent/broker to execute a negotiated trade/cross trade between a buyer and seller, the negotiation can involve specific instructions and agreements on a “willing buyer, willing seller” basis between the buyer and seller on the price and how the trade is to be executed. The negotiated price may be executed away from the prevailing best bid/offer prices in the market and the buyers and sellers are expected to assess the negotiated price against the market price/quotes on the exchange, other Execution Venues or by other brokers.



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This policy will not apply as the negotiated trade/cross trade is executed under the specific instructions of the Customer.

- iv) Request for Quote (“**RFQ**”) – the Customer would not be deemed to be relying on CLSA to provide Best Execution when the Customer approaches CLSA for a “request for quote” for a particular securities or OTC derivatives transaction. Such transactions are on a principal-to-principal basis and involves a bilateral contract. In addition, the provision of quotes by CLSA are generally on a “reverse enquiry” basis by the Customer, and CLSA only deals with Customers who are of sufficient sophistication nature, who can “shop around” and assess CLSA’s quotes against those provided by other dealers.

2.3 Applicability to each Business Line and Products

This section set outs the scope of business activities which operate through CLSA, that the Best Execution obligations may be applicable.

2.3.1 Institutional Equities

This policy is applicable for cash equities, global portfolio trading and ADRs/GDRs orders that are:

- i) agency orders placed by the Customer with CLSA and executed by CLSA on an Execution Venue directly;
- ii) agency orders placed by the Customer with CLSA and forwarded to another CLSA broker or other third party broker for execution on an Execution Venue; or
- iii) orders placed by the Customer with CLSA which will involve a cross trade between such a Customer and another Customer or any CLSA entity (i.e. CLSA and any other CLSA group entities) as principal , whether the cross trade is executed/reported by CLSA or forwarded to another CLSA broker or other third party broker for execution/reporting.

In respect of ADR/GDR orders, it should be handled the same way as a cash equities agency order, and CLSA will apply the same relevant execution factors as a cash equities agency order when executing the ADR/GDR order to achieve the Best Execution outcome. CLSA will not be obliged to check whether the Customer can get a better price by buying the underlying security and converting it to create the ADR, unless specifically instructed by the customer.

2.3.2 Equity Derivatives

- i) Equity P-Notes



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This policy does not apply to P-Notes as P-Note investors are generally Institutional Investors.

ii) Equity-Linked Structured Notes

CLSA acts a distribution agent for structured notes issued by CSI Financial Products Limited (“**CSIFP**”).

This policy does not apply to structured notes on the below basis:

- Structured note transactions are principal-to-principal transactions involving bilateral contract and generally on a RFQ basis. CLSA only distributes structured notes that are issued by CSIFP and when the Customer approaches CLSA for a quote, the intent of the Customer would therefore be to purchase CSIFP structured notes specifically. CLSA does not distribute structured notes of other issuers or act as financial adviser/investment adviser to the Customer, and the onus is on the Customer, who are Accredited Investors and are of sufficient sophisticated nature, to “shop around” for structured products of other issuers.
- CLSA only acts as distribution agent for CSIFP structured notes, and the distribution is on a RFQ basis as said above. There is no contractual relationship between CLSA and the Customer in respect of the structured note transaction that may give rise to the obligations for CLSA to provide Best Execution.

iii) Equity OTC Derivatives (“**OTCD**”)

OTCD transactions involve bilateral contracts between CLSA and the Customer, each acting as principal, and governed by an ISDA mini-master agreement. CLSA may hedge the OTCD transaction via a back-to-back OTCD transaction with a related entity/third party entity or by trading the underlying securities. The hedging transactions are principal transactions/risk positions of CLSA and CLSA has the discretion on all relevant hedging decisions.

This policy does not apply to OTCDs in general on the below basis:

- OTCD transactions are generally on a RFQ basis. CLSA only enters into OTCD transactions with Customer as a principal, not as an agent. When the Customer approaches CLSA for a quote, the intent of the Customer would therefore be to enter into an OTC transaction with CLSA specifically. CLSA does not act as an agent/broker in respect of OTCD products issued by other third parties, nor does it act as the financial adviser/investment adviser to the Customer, and the Customers, who are Accredited Investors and are of sufficient sophisticated nature, can “shop around” for OTCD products offered by other dealers.
- In the ISDA mini-master agreement, it is specified that the Customers are required to make their own independent decision to enter into any transaction

with CLSA using their own judgment and upon advice from their financial/investment advisers, and CLSA does not have any fiduciary duty to the Customer.

- OTCD transactions are bilateral contracts negotiated between CLSA and the Customer. The Customers, who are Accredited Investors and are of sufficient sophisticated nature, have the discretion to negotiate the relevant clauses in their favour and the onus is on the Customer to determine whether the OTCD product offered by CGM is on the best terms available to the Customer, and the Customer can “shop around” for other better quotes.
- With regards to the hedging transactions by CLSA, CLSA assumes the market risks on the OTCD transactions that it has entered into with the Customer and CLSA has the discretion on all relevant hedging decisions, given that the hedging trades are principal/risk positions of CLSA. Additionally, CLSA’s hedging decisions should not have an impact on the settlement price of the Customers’ OTCD transactions as for option transactions, the settlement is based on a pre-determined strike price agreed between CLSA and the Customer, while for swap transactions, the settlement is generally based on a benchmark price (e.g. market closing price of the underlying securities or closing price of the fund) or any other price that is specified by the Customer.

However, if the bilateral contract between CLSA and the Customer is such that the settlement price of the Customer’s swap transaction is linked to the actual execution price of the underlying securities hedges by CLSA and where a CLSA trader is required to handle and execute such hedging transactions and exercise his skills/discretion to ensure a good execution price/outcome, then CLSA will provide Best Execution to the Customer in accordance with this Policy.

2.3.3 FICC

i) Credit Market Making/Cash Bonds

The credit market making/cash bond trading business in Singapore involves CSI Global Markets Limited (“**CSIGM**”) dealing in cash bonds with customers in Singapore who are Accredited Investors only under the licensing exemption in paragraph 2(1)(e)(i) of the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations.

For the credit market making/cash bond trading business, it generally operates on the following basis:

- the business generally operates on a RFQ basis, i.e. the business is approached and requested by Customers to provide quotes; and



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- the nature of the market is such that Customers will generally request quotes from a number of different dealers (market makers) who are readily available to provide/create liquidity in the market.

FICC salespersons in Singapore employed by CLSA may receive requests for quotes from CSIGM customers and will assist the customer to obtain quotes from CSIGM under the specific instructions of the customer. Such customers are onboarded customers of CSIGM, and the contractual relationship for the bond transactions is between the customer and CSIGM, not CLSA. In this regard, no Best Execution obligation is owed by CLSA to the customer. For the Best Execution policy of CSIGM, please refer to the CLSA Hong Kong Best Execution policy.

ii) FICC Structured Notes

CLSA acts a distribution agent of CISGM for FICC structured notes.

This policy does not apply to structured notes on the below basis:

- Structured note transactions are principal-to-principal transactions involving bilateral contract and generally on a RFQ basis.
- CLSA only distributes CSIGM structured notes and when the Customer approaches CLSA for a quote, the intent of the Customer would therefore be to purchase CSIGM structured notes specifically. CLSA does not distribute structured notes of other issuers or act as financial adviser/investment adviser to the Customer, and the onus is on the Customer, who are Accredited Investors and are of sufficient sophisticated nature, to “shop around” for structured products of other issuers.
- CLSA only acts as distribution agent for CSIGM structured notes, and the distribution is on a RFQ basis as said above. There is no contractual relationship between CLSA and the Customer in respect of the structured note transaction that may give rise to the obligations for CLSA to provide Best Execution. For the Best Execution policy of CSIGM, please refer to the CLSA Hong Kong Best Execution policy.

iii) FICC Solutions

- Generally upon the request of customers, FICC solutions staff of CLSA may generate transaction ideas for the customers, amongst others, bespoke hedging solution and portfolio restructuring of assets/liabilities.
- The above will involve bespoke products offered by CSIGM, based on the specific needs/requirements of the customer negotiated by such customer with CSIGM over a period of time, which means there is a limited availability of products with same or similar terms (i.e. underlying asset classes, duration and payoff structure) in the market which may be offered to customers.
- In addition, any transactions by the customers are entered into CSIGM, and not with CLSA, and there is no contractual relationship between CLSA and

the customers. As such, no Best Execution obligations is owed by CLSA to the customer. For the Best Execution policy of CSIGM, please refer to the CLSA Hong Kong Best Execution policy.

2.4 Relevant Execution Factors

CLSA generally takes into account the following factors in delivering Best Execution to Customers.

- i) execution factors specified by the Customers;
- ii) the execution price without any costs charged to Customer, or CLSA's own fees and commissions;
- iii) size of order;
- iv) liquidity of the market;
- v) speed and/or likelihood of execution;
- vi) the impact on market prices of displaying and/or executing an order or part of an order;
- vii) the availability of price improvement (the opportunity for an order to be executed at a better price than what is currently quoted publicly); and
- viii) any other consideration relevant to the effective execution of the order.

The weighting to be attributed to each execution factor will vary for each Customer/order as it is further dependent on:

- i) our knowledge of the Customer's execution preferences based on our discussion with the Customer and experiences dealing with the Customer;
- ii) the characteristics of the order;
- iii) the characteristics of relevant capital markets products; and
- iv) the characteristics of the relevant Execution Venue.

CLSA will generally assess the execution factors in the below manner, however, there may be inter-dependency or trade-offs amongst different execution factors and the approach may need to be adjusted depending on the circumstances:

- i) Execution factors specified by the Customers – CLSA will always first consider any specific execution factors instructed by Customers when managing the order execution for the Customer. CLSA will attempt to meet such Customer instructions

on a best effort basis and in trying to meet such requirements of the Customer, CLSA will be deemed to be achieving the Best Execution outcome for the Customer.

- ii) Execution price – CLSA generally considers price to be the most important execution factor. However, there may be circumstances where a combination of other execution factors may in total outweigh the price factor, and the price is no longer the dominant execution factor. For example, taking into consideration the size of the order, liquidity of the market, and likelihood of execution, CLSA may prioritise completion of the order over the executed price or opportunities for price improvement.
- iii) Order size/liquidity of the market – the best price for the order depends on the order size relative to the liquidity of the market. Where the order size is larger than the quantities available at the prevailing best bid/offer prices and the market is illiquid, then part of the order maybe executed at more favourable prices than the subsequent order executions.
- iv) Speed and/or likelihood of execution – speed and/or likelihood may be a trade-off relative to the executed price, in particular, when the order size is large and the market is illiquid. CLSA will prioritise executed price and will attempt to execute the order over a longer period of time in order to achieve a better price and minimize the potential impact on the market price, instead of prioritising speed/likelihood of execution, unless otherwise specified by the Customer. In addition, where the Customer has specifically indicated speed and/or likelihood of execution as the most important execution factor instead of price but the order size is large and the market is illiquid, CLSA may not be able to guarantee the speed/likelihood of execution of the order due to insufficient liquidity or due to the need to give greater priority to the potential impact on the market price.
- v) The impact on market prices – as a responsible broker and holder of a CMS licence issued by the MAS, CLSA will always consider the potential impact on the market price as an important execution factor, which may sometimes take precedence over the other execution factors, in particular speed and/or likelihood of execution. This would mean that CLSA might not be able to guarantee the completion of the order in some instances, especially where the market is illiquid and the prices are volatile.
- vi) The availability of price improvement – when executing an order where the Customer has given CLSA the discretion to work the order over a period of time or when the market is trading within the limit price provided by the Customer, CLSA will use its experience/market know-how to determine whether there is a potential for price improvement, and this would mean that the CLSA may not execute the order at the immediately available best prices but may wait for a better price. CLSA will endeavour to achieve a better execution price for the Customer but cannot guarantee that this would always be achieved due to market uncertainty.

2.5 Order Handling

The following execution strategy will be applied by CLSA when handling Customers' orders:

- When CLSA receives a Customer's order, the orders will be addressed in a timely manner and order execution will be handled in a manner and pace consistent with the nature of the order, the investment decision and the prevailing market conditions. CLSA will take into consideration the execution factors and take all reasonable steps to obtain the best possible results under those circumstances, as elaborated in the above section.
- CLSA is responsible for determining the relative importance of each of the Best Execution factors as set out above.
- CLSA may discuss the order execution strategy with the Customer as information provided by the Customer may impact the execution strategy CLSA uses. CLSA's strategy may include executing orders immediately or working the orders over a period of time.
- If CLSA receives and accepts an order from the Customer that includes a specific instruction(s) in relation to the handling and execution of the entire order or a particular aspect(s) of the order, CLSA will execute the order in accordance with that specific instruction. This may prevent CLSA from taking steps designed and implemented to obtain the best possible result for the execution of the order. CLSA's obligation of Best Execution will be satisfied by executing the order in accordance with Customer's specific instruction.
- In circumstances where Customers give us a specific instruction(s) which covers one part or aspect of an order (for example, as to the choice of Execution Venue), and CLSA has discretion over the execution of the other elements of the order, then CLSA will continue to be subject to the Best Execution obligations in respect of the elements of the order that are not covered by Customers' specific instruction.
- CLSA may execute orders on behalf of Customers directly on exchanges or regulated Alternative Liquidity Pools (which could include itself or its affiliates). An Execution Venue may be selected as is appropriate in view of the size and nature of the order to obtain the best possible result for the execution. CLSA may use third party or affiliated broker for execution of orders. CLSA will select the brokers based on their track records of achieving the best result in terms of the relevant execution factors. CLSA is responsible for taking adequate steps to ensure that the broker is able to satisfy CLSA's obligation to obtain the best possible result for its Customers.

2.6 Cross Trades

If the Customer has given CLSA the discretion to cross the order, and there is an appropriate opportunity and where permitted by local regulations/market rules, CLSA may attempt to achieve Best Execution outcomes for the Customers by crossing the order with other comparable Customers' orders. Generally, Customers may benefit from crossing the order

instead of working the order on the market (especially for large orders), as the execution of the order on the market may result in price movement disadvantageous to the Customer and it is not certain that the order may be completed, while a cross trade will allow the order to be filled immediately at the prevailing market price and the cross trade will have relatively limited impact on the market price.

If the Customer requests CLSA to facilitate their order, this may require CLSA squaring off the facilitated positions in the market and crossing as principal at the agreed price and quantity with the Customer. The crossing price will usually be at a benchmark price (e.g. VWAP/closing price) or a price requested by the Customer. CLSA will be deemed to be providing Best Execution outcome for the Customer as it is assuming market risks to facilitate the price and quantity for the Customer, and the crossing is executed at the price and quantity specifically requested by the Customer.

2.7 Execution of Comparable Customers' orders

CLSA will execute comparable Customer's orders in accordance with the time of receipt of such Customer's order relative to other comparable Customers' orders received by CLSA (i.e. time priority). If the instruction of such order is such that the order may not be immediately executed at the immediately available price and must be worked over a time period, CLSA will attempt to slice the Customer orders' in accordance with the time priority where it is practicable to do so. CLSA may also use appropriate algorithmic trading strategies to execute such Customers' orders to ensure independence in the execution.

However, in some instances, it may not be feasible/reasonable to follow strict time priority, in particular, for large orders that are to be worked over a time period/on a careful discretion basis. In some cases, it will be infeasible to execute an earlier large order in full, before executing a subsequent smaller order, and CLSA will attempt to first execute a portion of the first order then the subsequent smaller order, and ensure fair allocation in the quantities executed for each order as much as possible.

In other cases where CLSA has to work on a number of large Customer orders over a period of time, and the market is illiquid and/or the market/price is volatile, it may in the overall best interests of all Customers amalgamate all comparable Customers' orders for execution. CLSA will ensure fair allocation (such as an average execution price to all Customers) to each Customer at the end of the day. CLSA will not amalgamate a Customer order with a principal order.

2.8 Execution Venues/Brokers



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CLSA may utilize various Execution Venues/brokers when executing Customers' orders and will endeavor to execute in the manner that is able to provide the best outcome for the Customers, unless directed by the Customer to execute on a particular venue or with a particular broker.

CLSA will monitor which Execution Venues/brokers are likely to provide, on a consistent basis, the best available terms for our Customers in meeting its Best Execution obligations. Where there may only be one Execution Venue available and in executing a trade in such circumstances, CLSA will assume that the selection of that venue satisfies the Best Execution factor dealing with venue selection.

Where possible, CLSA will execute through affiliate brokers to enable it to meet the Best Execution requirements on a consistent basis. Where it is not feasible to use affiliate brokers, the selection of a third party broker is done through an internal due diligence process, to ensure that the third party broker has the skills, resources and capabilities to assist in the Best Execution outcome of the Customers' trades, and periodic/ongoing due diligence will be conducted thereafter.

3. MONITORING AND CONTROL MECHANISMS

CLSA is required to monitor, on a periodic basis: (i) compliance with its Best Execution policies and procedures; and (ii) the effectiveness of its Best Execution policies and procedures.

This obligation has been incorporated into CLSA's monthly Compliance Monitoring Programme and relevant business procedures and policies. In particular, CLSA considers price to be the most important execution factor and Compliance monitoring is performed by comparing execution prices of Customers against the Volume Weighted Average Price in the market, to detect any significant or systematic deviations in the execution price provided to the Customers vis-à-vis other Execution Venues or brokers.

All Customer's complaints in relation to the order handling of CLSA from a Best Execution perspective should be directed to the Singapore Compliance team for independent handling and further inquiry/investigation as required.

4. REVIEW OF POLICY AND TRAINING



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CLSA will review this policy at least annually, or whenever there is a material change (such as a regulatory change or change in business model/product) that could affect its Best Execution obligations.

CLSA will provide all relevant trading and execution staff with periodic training to ensure that they remain apprised of their Best Execution obligations.

5. CUSTOMER DISCLOSURE

CLSA is required to provide to Customers in writing, including via electronic means, sufficient information on its Best Execution policies and procedures.

Consistent with the existing business arrangements with Customer on customer disclosure, this policy will be uploaded on the terms of business page of CLSA's corporate website. Whenever CLSA makes any material changes to this policy, an updated version of this policy will be uploaded on the CLSA's website accordingly.

6. RELEVANT CLSA COMMITTEES

The CLSA board of directors has delegated the responsibility to an appropriate local management committee, comprising of the CEO of CLSA/Singapore country head, Singapore COO and Regional Head of Legal and Compliance to approve this policy and any other subsequent reviews/updates to the policy,

On a day-to-day basis, the first line of defence resides with the relevant sales traders/trader/dealers who handle the Customers' orders to assess the relevant execution factors and handle the orders effectively, to ensure that CLSA fulfills its Best Execution obligations to its Customers.

As a second line of defence, Compliance will perform monthly monitoring as set out in Section 3 above. Where it is suggested that CLSA might have not fulfilled its Best Execution obligations to its Customers, Compliance will conduct independent investigations and escalate accordingly to CLSA management.

In addition to the above, quarterly Best Execution committee meetings are held at the CLSA group level to review and consider any findings or escalation in relation to the Best Execution requirements. Senior representatives from the respective business lines and Legal & Compliance are members of the Best Execution committee.

As a third line of defence, the Internal Audit department will undertake periodic audits which may include a review of CLSA's Best Execution policies and procedures, and report to the



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CLSA management any deficiencies that have been identified and to make recommendations on improvements.