CITIC Securities Australia Pty Ltd

Best Execution obligation Disclosure

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1. Purpose

1.1. Background

This document sets out information about CITIC Securities Australia Pty Ltd's ("**CSA**") 'Best Execution' arrangements as required by Part 3.8 of the ASIC Market Integrity Rules (Securities Markets) 2017 (the "**Rules**"), which requires CSA to take all reasonable steps to obtain the best outcome for its clients.

CSA is authorised to transact on behalf of Wholesale clients only.

This document covers the requirements of Part 3.8 of the Rules and associated guidance set out in ASIC Regulatory Guide 265.

1.2. Scope

The scope of this disclosure is to outline the arrangements CSA relies on to deliver the best outcome for its Wholesale clients when handling and executing an Order for the client. CSA is a Trading participant of ASX Limited ("**ASX**") and TMX Australia Exchange Pty Ltd ("**TMX**"), formerly Cboe).

2. Achieving Best Execution

CSA's policies and processes are designed to obtain the best outcome for each client on a consistent basis, taking into account the obtainable prices, costs, Total Consideration, speed, likelihood of execution and other relevant outcomes sought by a client.

2.1. Execution methods

CSA will take all reasonable steps to achieve the best outcome for its client orders through each of the following execution methods:

- **High Touch** – traditional Limit or Market Orders being managed by a CSA Designated Trading Representative ("**DTR**") who will use their expertise and discretion in achieving the best outcome in accordance with the client's order instructions, taking into account one or a combination of factors set out in Part 2.3 of this document.

- **Low Touch or Direct Market Access ("DMA")** – as part of the DMA suite offered by CSA, clients are given optionality to execute via selected trading strategies across a number of trading venues, as set out in Part 3 of this document.

- **Smart Order Router ("SOR") -** CSA's SOR forms a key part of its algorithmic solutions suite. The purpose of the SOR (in both high touch and low touch scenarios) is to automatically scan the applicable execution venues for liquidity with the objective of achieving the best execution outcome for CSA's clients.

2.2. Specific instructions

When a client provides CSA with a specific Order instruction that is inconsistent with CSA obtaining the best outcome for the client, CSA will take reasonable steps to handle and execute that Order in accordance with the client's instructions and as a result, may not be consistent with the best execution outcome arrangements that are in place. For example, if a client instructs CSA to execute an Order immediately on a specific lit market, when a better price may be available in the other lit market (or potentially in a Crossing System). In this situation, where speed and likelihood of execution become the primary considerations (and there is no material detriment to the client from acting in accordance with the client's instructions) CSA will proceed accordingly.

2.3 Factors to be considered in delivering best execution

Generally, CSA will consider price as the most important execution factor for its clients. However, there may be circumstances where other execution considerations and factors are as important as the price (of each specific trade). For example, the primary consideration could be that the overall Total Consideration achieved throughout the day is at or better than the volume-weighted average price (rather than necessarily best price at the time of each trade).

CSA may also consider the following factors when determining the best outcome for the client:

- **Price** – Price is an important factor in achieving best execution outcome. However, price at any given point in time may not necessarily deliver the best outcome. For example, the order book of the exchange that is displaying the best price may not have adequate volume or liquidity (to satisfy the client's order).

- **Price Improvement** - the availability of price improvement on CSA's Crossing System (and potentially other Crossing Systems) provides the opportunity for an order to execute at a better price than displayed on the 'Pre- trade transparent' Order Books. Please refer to part 3.2.

- **Costs** – this includes implicit costs such as the possible market impact; explicit external costs such as connection or transaction fees, venue or clearing fees. The overall Total Consideration achieved may also be an important factor for many clients.

- **Speed** – speed of execution is increasingly becoming an important execution factor for certain clients. In circumstances where a client instructs CSA where it needs to transmit orders quickly or is concerned that price may move adversely, it will factor speed into the best outcome equation.

- **Execution certainty** – the likelihood that CSA will be able to complete a client transaction. A client may prefer execution on the 'Pre-trade transparent' Order Books, where liquidity and volumes at each price level are visible, rather than accessing Crossing Systems (and forsaking any opportunity to obtain any opportunity for price improvement).

  Other factors – In addition to the above, CSA may also consider, among other things, the following:

  - the nature of the clients orders and their specific instructions;
  - the time of receipt of the order;
  - the size of the order;
  - market liquidity, volatility and the impact the order might have in the market;
  - other reasonable, relevant factors.

3. Execution venues

3.1. Pre-trade transparent Order Books and Market Operators' Crossing Systems (Mandatory venues)

The trading venues CSA accesses to achieve the best outcomes for its clients are:

- ASX Trade Match (lit) and ASX Centre Point (dark), and
- TMX (lit) and Hidden (dark)

3.2. CSA's Crossing System (Mandatory venue)

- CSA's Crossing System - CSA's ASIC registered crossing system offers an additional source of hidden liquidity for its clients. Orders executed on this venue will be given price improvement when compared against the consolidated best bid and offer prices displayed on ASX and TMX at the time of execution.

The combination of the pre-trade transparent and the Crossing System/darkpool venues specified under 3.1 and 3.2 above, collectively, comprise the Mandatory, default venues offered as CSA's Best execution protection (where the pre-trade transparent venues offer price and volume transparency and certainty, and the darkpool venues offer potential price improvement with hidden liquidity).

3.3. External Brokers' or Third Party Crossing Systems (Optional venues)

CSA will offer access to other ASIC registered Crossing Systems operated by external Market Participants as set out in CSA's **Crossing System Information – Public disclosure**.

3.4. Standing Wholesale Client Instructions to Opt Out of CSA's Best execution protection

CSA's clients will decide which execution venues they access and participate in.

If a client wishes to Opt-out of a Mandatory venue comprising CSA's Best execution protection, by providing "Opt out" instructions to CSA, CSA will not connect to that Mandatory venue that has been opted out in accordance with the client's "Standing Instructions".

Each Standing Instruction arrangement will be:

(a) periodically reviewed to ensure it remains possible for CSA to satisfactorily perform the instruction; and
(b) acted on for a period of 12 months, before revision or renewal with that client.

The Standing Instruction records must be retained for 7 years.

4. Outages

In the event of an ASX or TMX Market Outage, CSA is technically and operationally positioned to automatically route client orders to the venue which remains operational, providing this would be in accordance with each client's execution instructions.

Whilst typically, CSA will automatically route orders in an outage situation, there may be instances where CSA will be required to manually intervene, such as when ASX or TMX is technically unable to reject or acknowledge order cancellations or, if market data is inaccurately reflecting the 'state' of the problematic venue.

5. Responsibilities of execution staff

Sales and Trading Representatives are an important first line of defence in the trade execution process. Reasonable diligence will be exercised when executing client instructions, monitoring execution outcomes and, where applicable, taking steps to obtain multiple quotes. In the absence of multiple quotes, execution staff should obtain sufficient pricing information on a best-effort basis to validate quotes provided to clients.

6. Controls and monitoring

CSA monitors the effectiveness of its best execution arrangements on a regular ongoing basis; this includes assessment of whether the execution venues CSA has selected continue to provide the best solutions and results for orders executed on behalf of its clients.

CSA continuously monitors its best execution arrangements utilising various analytical tools and reports to ensure it can continually assess and achieve the best execution quality and performance for its clients.