

Barrenjoey<sup>®</sup>

# Best Execution Policy Disclosure

Barrenjoey Markets

September 2022

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## Best Execution Policy Disclosure

### 1 Purpose

This disclosure sets out general terms and information with respect to how Barrenjoey Markets Pty Limited (ABN 66 636 976 059 and Australian Financial Service Licensee no.521800, "**Barrenjoey Markets**") handles and executes clients' orders, as required under Part 3.8 of the ASIC Market Integrity Rules (Securities Markets) 2017 (the "**Rules**"). Subject to limited exception, the Rules require Barrenjoey Markets to take reasonable steps to obtain the best possible outcome for clients ("**Best Execution**"). This obligation applies when we are dealing in Equity Market Products and CGS Depository Interests<sup>1</sup>.

If you have any questions about our Best Execution approach or your order routing and execution arrangements, please contact your relevant Sales representative.

### 2 Scope

Barrenjoey Markets will use reasonable skill, care and diligence to achieve Best Execution for its clients, including when dealing away from a market order book under an exception to the pre-trade transparency requirements of the Rules<sup>2</sup>.

Barrenjoey Markets only provides financial services to wholesale clients as this term is applied under the Corporations Act (Cth). Whilst handling and executing your orders, we will treat you as a wholesale client. Should your classification change, you agree to notify us promptly as outlined in Barrenjoey Markets' Terms of Business.

### 3 Specific Instructions

If you provide Barrenjoey Markets with specific instructions that are inconsistent with Barrenjoey Markets' Best Execution approach, Barrenjoey Markets will take reasonable steps to handle and execute orders in a way that satisfies your instructions provided the instructions are:

- (a) clear and unambiguous
- (b) in writing, received via electronic communication or if provided to Barrenjoey Markets verbally, recorded by Barrenjoey Markets; and,
- (c) not contained within the standard terms and conditions of a client agreement provided by Barrenjoey Markets to you, but which may be standing instructions or specific order by order instructions.

In the absence of express instructions from you, Barrenjoey Markets will exercise its own discretion, having regard to the terms of your order in determining the factors that it needs to take into account for the purpose of providing you with Best Execution.

### 4 Order books we may send your orders to

In handling your orders (see section 5 below), Barrenjoey Markets may route your orders to or via the following order books for execution or resting on the relevant order book ("**Exchange Order Book**"):

- ASX TradeMatch<sup>3</sup> ("**ASX Market**", the main ASX Trade market for "lit" trading)
- ASX Centre Point<sup>4</sup> ("**ASX Centre Point**")
- Cboe Australia Order Book<sup>5</sup> ("**Cboe Australia Market**")

Transactions executed via an Exchange Order Book are "**Market transactions**".

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<sup>1</sup> These terms are defined in the Rules to include shares, interests in a managed investment scheme, CHES depository Interests and related rights. Part 3.8 of the Rules only applies the Best Execution obligation to orders in relation to these financial products.

<sup>2</sup> Under the Rules, unless a relevant exception applies, Barrenjoey Markets is prevented from entering into a transaction other than by the matching of a pre-trade transparent order on an order book of ASX Market or Cboe Australia Market. The exceptions and related definitions are specified in the Rules as Block Trades; Large Portfolio Trades; Trade with Price Improvement; Permitted Trades during the Post-Trading Hours Period; Permitted Trades during the Pre-Trading Hours Period; and Out of Hours Trades.

<sup>3</sup> Operated by ASX Limited.

<sup>4</sup> Operated by ASX Limited.

<sup>5</sup> Operated by Cboe Australia Pty Ltd.

## 5 Handling of your orders

### 5.1 Dealing fairly and in due turn

When we handle clients' orders and a client's order and an order on our own account, we have obligations under the Rules to deal fairly and in due turn. Generally, when we receive orders that do not require us to exercise any execution discretion, we will execute orders in the sequence in which they are received and in accordance with this disclosure. When we are required to exercise some execution discretion, we will seek to deal with your orders appropriately in accordance with any discretion provided, bearing in mind your instructions and our obligations to you. Often, because of the timing, nature, and terms of our clients' orders, it makes sense and will be appropriate, taking into account our obligation to deal fairly and in due turn, to aggregate orders for execution (for example, if we receive multiple orders on the same terms overnight or pre-market or if we consider aggregating orders is likely to deliver clients a more efficient and better execution outcome).

### 5.2 Execution factors considered by Barrenjoey Markets

Barrenjoey Markets will generally give overall price, prevailing market conditions including liquidity on each Exchange Order Book, and the Best Available Bid and Offer<sup>6</sup> ("NBBO") a higher relative importance to other execution factors when seeking Best Execution. Barrenjoey Markets may, however, also take into consideration a range of other factors, including the below, all of which have the propensity to influence Best Execution outcomes:

- your instructions, any requested execution benchmark<sup>7</sup> and any execution discretion afforded to Barrenjoey Markets;
- price improvement opportunities and potential price impact<sup>8</sup>;
- order and transaction size;
- the likelihood and speed of execution and execution certainty<sup>9</sup>;
- the nature of the Exchange Order Book including whether it is "lit" or "dark" and its availability (including the relevant trading session state<sup>10</sup> and any market or system disruptions<sup>11</sup>);
- the way in which your instructions are received by us and routed to an Exchange Order Book (also see section 5.3 and 5.4 below);
- whether Barrenjoey Markets passes your order to another broker for execution<sup>12</sup>; and
- any relevant regulatory requirements and possible consequences of executing your orders.

### 5.3 The use of execution algorithms and Smart Order Router technology

In directing your orders to one or more Exchange Order Books, Barrenjoey Markets may use a Smart Order Router ("SOR"). A SOR is technology that accepts orders for routing to an Exchange Order Book or Exchange Order Books and then routes those orders in part or in full based on programmed logic (taking into account factors like those referred to in section 5.2 above). The SOR seeks to achieve Best Execution, however execution opportunities will depend on factors such as:

- those referred to in section 5.2 above;
- the Exchange Order Books visited and in which order;
- any latency involved in reaching an Exchange Order Book; and
- any Exchange Order Book changes.

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<sup>6</sup> Defined in the Rules as the highest Pre-Trade Transparent Bid and lowest Pre-Trade Transparent Offer respectively across all Exchange Order Books.

<sup>7</sup> Barrenjoey Markets will generally benchmark trading outcomes in accordance with accepted market practice unless agreed otherwise.

<sup>8</sup> After the submission of an order onto a lit Exchange Order Book, Barrenjoey Markets will generally not re-submit that order if a better price subsequently becomes available on another lit Exchange Order Book.

<sup>9</sup> Execution certainty is generally a function of price, order size, liquidity, market impact and the timeliness of execution. In some cases execution certainty may take precedence over other potentially more variable execution outcomes.

<sup>10</sup> The Exchange Order Books referred to in section 4 do not necessarily operate at the same time or in the same way. An Exchange Order Book's trading session state may also impact execution outcomes. For instance, the ASX Market has a pre-opening and pre-closing price auction, a session state during which bids and offers are not matched, followed by an opening and closing price auction. Orders on the Exchange Order Book or placed into the Exchange Order Book during this trading session state will be resting orders, until they either participate in the opening and closing single price auction (in which case execution will occur at the auction price), or not.

<sup>11</sup> Which may mean one or more Exchange Order Books is not available.

<sup>12</sup> Whilst we do not generally expect to do so, we may direct your order to another market participant if we consider that by doing so, we will achieve a better execution outcome for you.

You, or a Barrenjoey Markets' representative on your behalf<sup>13</sup>, may direct orders to our execution algorithms for execution. When an order is submitted into an execution algorithm, the order may be divided into child orders, which may be sent to an Exchange Order Book directly, or to an Exchange Order Book or Exchange Order Books via a SOR.

Our execution algorithms manage the execution of orders in an ongoing way by amending, deleting and/or generating new orders to be sent to an Exchange Order Book or Exchange Order Books.

How orders are handled by the SOR will depend on the destination selected and user instructions. The SOR used by Barrenjoey Markets will handle orders likely to execute 'at market' differently from orders likely to rest on an Exchange Order Book (passive orders). Unless otherwise instructed, the SOR will place passive orders on the pre-trade transparent Exchange Order Book considered by Barrenjoey Markets to offer the greatest opportunity of execution given the relevant Exchange Order Book's liquidity characteristics<sup>14</sup>. The user or an algorithm can direct resting orders to ASX Centrepoint or Cboe Australia Market.

If your instructions are:

- 'market on open' or 'market on close'; or
- if your orders are received pre-market for execution; or
- if your orders are received during ASX's pre-open and pre-closing single price auction phase;

our SOR will place these orders on the ASX Market to seek to participate in the ASX Market opening or closing single price auction (as applicable).

Barrenjoey Markets will regularly review the quality of execution provided by the SOR and our execution algorithms to ensure we continue to meet our Best Execution obligation.

#### 5.4 Price improvement

Wherever practicable, Barrenjoey Markets will pursue price improvement opportunities by sending orders that seek to access non pre-trade transparent liquidity at better prices on the ASX Centre Point and Cboe Australia Market order books.<sup>15</sup>

#### 5.5 Trading hours and market phases

The Exchange Order Books do not all always operate in the same trading session state at the same time. For example, orders will only be matched on the Cboe Australia Market when the Cboe Australia Market is trading on a continuous trading basis or as a result of the interaction of hidden market on close orders which can occur after continuous trading ends on Cboe Australia; whilst the ASX Market has an open and closing single price auction in addition to a normal trading session state.

#### 5.6 Market Outages

In the event an Exchange Order Book becomes unavailable, Barrenjoey Markets understands its best execution obligations do not fall away and will seek to act accordingly, bearing in mind other obligations it has to its clients and the market, including to not do anything which results in a market not being both fair and orderly.

In taking any action, Barrenjoey Markets will assess prevailing market conditions including available Exchange Order Book(s), technical stability, the types of trading that remain viable, along with potential trading outcomes. Barrenjoey Markets will closely monitor liquidity and price characteristics and communicate available information to our clients to the extent this is practicable in the circumstances. During an outage, we expect to have the ability to submit Orders to an alternative Exchange Order Book if one is available. However, as indicated above, our actions as to whether to redirect client Orders will be dependent on our clients' instructions, our visibility of the status of apparently unexecuted Orders on impacted Exchange Order Books, our ability to manage orders and other relevant circumstances at the time.

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<sup>13</sup> As a result of your instructions or should Barrenjoey Markets consider that the order management performed by the execution algorithm will lead to a more efficient execution outcome or a close or closer to execution benchmark.

<sup>14</sup> Barrenjoey Markets' SOR does not manage orders in an ongoing way once they have been rested on a pre-trade transparent Exchange Order Book.

<sup>15</sup> Barrenjoey Markets can only seek to access available liquidity to transact against non pre-trade transparent order/s on ASX Centre Point and Cboe Australia Market's Mid-Point if permitted under the Rules (at the mid-point or another permitted price step within the NBBO).

## 5.7 Designated Trading Representatives and direct market access

Where a Barrenjoey Markets' Designated Trading Representative ("DTR") is responsible for executing an order, including where discretion has been afforded to Barrenjoey Markets, the DTR may transmit the order to one of the Exchange Order Books, or to a SOR, or an execution algorithm as referred to in section 5.3. Decisions will be made taking into consideration one or a combination of the factors referred to in section 5.2.

Where your order is a direct market access order utilising Barrenjoey Markets' Automated Client Order Processing platform, the order will be transmitted to the relevant Exchange Order Book or Exchange Order Books in accordance with section 5.3 above.

Your orders will not be aggregated unless it does not affect the price that would have been obtained under normal circumstances.

## 5.8 Allocation of Market transactions

When we handle your orders, we have obligations under the Rules to allocate resulting Market transactions fairly. When your order is executed as a single order rather than being aggregated with other orders, resulting Market transactions will be allocated to you in accordance with your instructions. In situations where Barrenjoey Markets has aggregated your order(s) with orders of other clients or its own orders, as described in section 5.1 above, your orders will be allocated in a manner Barrenjoey deems to be fair and taking into account your trading instructions. Market transactions will be allocated either equally between clients, on a pro-rata basis according to the size of the single orders received and aggregated by Barrenjoey Markets, or in a manner Barrenjoey Markets has otherwise agreed with you. When combining orders in the execution of a block trade, allocations might be determined on a different basis, depending on the nature of orders received and the block trade agreed.

## 6 Policy review and amendments

This disclosure will be reviewed periodically and, subject to the next sentence, we may amend this disclosure at any time by notice on our website, [www.barrenjoey.com](http://www.barrenjoey.com), without separately notifying you, so you should periodically visit the website to review the current disclosure. If at any time there is a material change to the order books we access or the ways in which we handle orders, we will update this disclosure on our website and will send you a copy of, or a link to our website for, the updated version of this disclosure.

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