

# London Order Execution Policy Disclosure

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# CONTENTS

Introduction .....	3
Overview.....	3
What is our duty of Best Execution? .....	3
When will we owe you a duty of Best Execution? .....	3
Execution Factors.....	4
The role of price.....	5
Compliance with instructions.....	5
Execution Venues.....	6
Selection of Execution Venues.....	6
How factors may vary between choices of Execution Venue.....	7
Review of Execution Venues.....	7
Location of execution.....	7
Monitoring best execution .....	7
Pricing.....	8
Reviewing our Policies .....	8
Consenting to this disclosure .....	8
Definitions .....	8
<b>Disclaimer .....</b>	<b>10</b>



## Introduction

This disclosure sets out selected details of the order execution policies applicable to Westpac Banking Corporation and Westpac Europe Limited (together 'WIBL'). It applies to Orders executed by WIBL in London regardless of where the customer is located.

This document should be read in conjunction with the Westpac Banking Corporation Global Order Execution Policy.<sup>1</sup>

## Overview

Market in Financial Instruments Directive of 2007 (MiFID) introduced common standards of investor protection throughout the European Union, including a requirement to act in accordance with the best interests of the customer, designed to promote both market efficiency generally and the best possible execution results for investors. MiFID II, which came into effect on 3 January 2018, builds on this requirement, and introduces additional monitoring and reporting obligations. MiFID II continues to apply in the United Kingdom following the withdrawal of the United Kingdom from the European Union, pursuant to the European Union (Withdrawal) Act 2018.

## What is our duty of Best Execution?

Where a duty of Best Execution arises, we must take all sufficient steps to obtain the best possible result for you on a continuous basis, taking into account the relevant Execution Factors (explained below).

## When will we owe you a duty of Best Execution?

We will generally owe you a duty of Best Execution if:

- you are a 'Professional' Customer, but not an 'Eligible Counterparty'<sup>2</sup>;
- your Order relates to a financial instrument as defined under the Markets in Financial Instruments Directive (MiFID), though we may treat spot FX Orders as financial instruments for these purposes, and
- you are legitimately relying on our discretion in how to execute your Order.

To determine whether you are placing legitimate reliance on us, we will consider:

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<sup>1</sup> <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/pb/global-order-execution-policy-disclosure.pdf>

<sup>2</sup> As defined in the UK Financial Conduct Authority's (FCA) Conduct of Business Sourcebook (COBS) at 3.5 and 3.6 respectively.



- **which party initiated the transaction** – where you initiate the transaction it is less likely that you are placing legitimate reliance on us. We do not generally regard communicating trade ideas, market communications or indicative prices as part of general business to mean we have initiated a transaction;
- **the market practice and the existence of a convention for clients to “shop around”** – where market practice for a particular asset class or product suggests that you are likely to have ready access to other providers’ quotes and you can shop around, it is less likely you will be placing legitimate reliance on us. This is how we consider most transactions with sophisticated, professional clients will be executed;
- **the relative levels of transparency within a market** – where pricing information is transparent and it is reasonable that you have access to such information, it is less likely you will be placing legitimate reliance on us; and
- **the information provided by you and any agreement reached** – where our agreements or arrangements (including this disclosure) do not indicate or suggest an understanding has been reached that you will place any legitimate reliance on us or we have agreed to provide best execution.

Circumstances where you may be placing a legitimate reliance on us may include:

- where you are seeking to exit a complex structured trade where it would be reasonable to consider that you are unable to shop around; and
- other circumstances where you may be considered a captive client e.g. there is a lack of client choice over where to execute a trade due to the complexity or nature of the transaction and you would therefore be unable to seek alternative quotes.

The obligation to provide best execution will not generally apply where you as the client:

- are seeking a quote in competition and have the ability to shop around for alternative prices;
- specify the price / quote and the trade is executed on risk; or
- apply other conditions which may be considered as “Specific Instructions”.

You may also specifically ask for your Order to be executed as though we owe you duty of Best Execution.

## Execution Factors

In seeking to obtain the best outcome for you, when the obligation to provide best execution applies, WIBL recognizes the following Execution Factors, and takes account of the relative importance of these factors in the context of each customer’s instructions:

- price (including time availability and depth of liquidity);
- speed;
- costs;
- the likelihood of execution and settlement;



- the size and nature of the order, the characteristics of the financial instrument, the nature and prevailing conditions of the relevant market and the risk of market impact; and
- any other consideration relevant to the efficient execution of the order, such as the customer's characteristics.

WIBL considers the relevant Execution Factors for each financial instrument, and the likely relative importance of each Execution Factor (acknowledging their relative importance must still be assessed in the context of each customer's instructions). When determining the relative importance of these Execution Factors, we may apply a wide range of criteria such as characteristics of each Order, customer preferences, market conditions, the time or size of Order. In certain circumstances, such as an illiquid market, the likelihood of execution may become the primary execution factor.

## The role of price

Generally, the best possible result will be determined by the total consideration paid by you – i.e. the price of the investment and any costs related to the execution such as execution venue fees, clearing and settlement fees.

However, there may be circumstances for some customers, instruments or markets where other factors should have a higher priority because they are instrumental in delivering the best possible results in terms of total consideration. If so, the relative importance of execution factors will depend on the characteristics of:

- you as a customer (including your categorisation);
- your Order;
- the financial instruments to which your Order relates; and
- the venues to which your Order can be directed (if there is more than one).

## Compliance with instructions

Where you give us specific instructions in relation to the execution of your Order (or a specific aspect of your Order) and we accept that Order, we will follow those instructions.

We will satisfy our best execution obligations to you where we accept and follow those instructions, although considerations of best execution may apply to other aspects of the Order to the extent that they are not covered by your instructions.

**Any specific instructions you give to us in relation to Orders may prevent us from taking the steps that we have designed and implemented under our order execution policies to obtain the best possible result for the execution of those Orders in respect of the elements covered by those instructions.**



## Execution Venues

Where the instrument can be traded on more than one Execution Venue, WIBL will decide where to send each Customer Order. WIBL trades on a principal basis so, subject to the instructions and parameters of the Order, the Execution Venue will usually be WIBL or our affiliates. We may use other Execution Venues to hedge our own market risk or if we act as a riskless principal to fill a resting order that you have left with us. WIBL may also seek execute all or part of an order by matching it with an opposite order from Westpac, another group company or customer.

A list of approved Execution Venues is available at <https://www.westpac.com.au/about-westpac/global-locations/westpac-uk/wel-regulatory-disclosures/> which details the Execution Venues used in respect of each class of financial instrument and the factors affecting the choice of each execution venue. Execution venues include trading venues such as regulated markets, multilateral trading facilities (MTFs) and organised trading facilities (OTFs).

We may also execute your Order outside of trading venues (such as regulated markets, MTFs or OTFs) from time to time. As part of our Terms of Business outreach, we seek our customers' consent to Westpac executing Orders outside of such trading venues.

## Selection of Execution Venues

We will take into account factors such as the costs and benefits of accessing multiple Execution Venues. We will also consider factors such as:

- the general prices available;
- the depth of liquidity;
- the relative volatility in the market;
- the speed of execution;
- the cost of execution;
- the reliability and continuity of trading;
- the creditworthiness of the counterparties on the venue or the central counterparty; and
- the quality and cost of clearing and settlement.

If we have access to more than one approved Execution Venue for an Order, we will try to choose the best Execution Venue for the Order, taking into account the relevant Execution Factors. We will not unfairly discriminate between Execution Venues or types (i.e. brokers) but will make a decision that reflects the Execution Factors and any other qualitative factors relevant to the Execution Venue's characteristics e.g. its clearing schemes, circuit breakers or scheduled actions. These factors will generally be secondary to the general execution factors listed under 'Execution Factors' above.



## How factors may vary between choices of Execution Venue

In some markets, price volatility may mean that timeliness of execution is a priority. In other markets that have low liquidity, the fact of execution may itself constitute best execution.

In other cases, our choice may be limited because of the nature of your Order or your requirements. For example, when investment products are more illiquid, there may be little (or no) choice.

## Review of Execution Venues

We will assess, on a regular basis, whether the Execution Venues on our approved list provide the best possible results for our customers or whether we need to make changes.

## Location of execution

We may execute Orders on a trading venue (these include regulated markets, MTFs and OTFs). There are some circumstances where your Order will be subject to mandatory trading obligation. This means WIBL will be required to execute the transaction on a trading venue. On the other hand, where we have received, or subsequently receive, express consent from you to do so, your Orders may be executed outside a trading venue (for example, OTC execution). In some cases, we may be required to execute an Order in a particular place, irrespective of our best execution obligations.

Each execution location may have different consequences. For example, the off-venue transactions will not be subject to trading venue rules and may bear higher settlement risk. In addition, it may be more difficult for you to obtain accurate pricing information because OTC trades may be negotiated and priced individually and there is no central source for obtaining price information from competing dealers. Please ask your relationship contact if you need more information on the different consequences of different execution locations, either generally or for specific transactions.

## Monitoring best execution

We monitor the quality and appropriateness of our execution arrangements in order to enhance the quality of our service offering to our customers and detect circumstances where changes may be appropriate.

For example, we may compare the price achieved for a transaction with the price available in the market for the financial instrument at execution. We may also consider other information such as:



- prices offered for that instrument over time; or
- average costs per trade charged for the type of trade over time.

WIBL's order execution arrangements are reviewed at least annually, as well as whenever a material change occurs that affects WIBL's ability to continue to obtain the best possible result for Order execution on a consistent basis using the approved Execution Venues.

## Pricing

Your execution levels may be inclusive of what we believe to be a reasonable bid-ask spread that includes a markup above the price at which Westpac may transact or has transacted with other customers or trading counterparties, in addition to any disclosed fees that may be charged to access particular sources of liquidity.

## Reviewing our Policies

We will review our policies annually and whenever a material change occurs that affects our ability to obtain the best possible results for our customers. We will notify you of any material changes to our order execution arrangements or policies.

## Consenting to this disclosure

You will be deemed to consent to the terms of this disclosure when you place an Order with us.

## Definitions

Terms used in this disclosure have the meanings defined below:

**“Execution Venue”** is a defined term under MIFID II regulations, and refers to a regulated market, multilateral trading facility, systematic internaliser, market maker or other liquidity provider (as defined under those regulations) or an entity that performs a similar function to one of these. A list of approved Execution Venues is available at <https://www.westpac.com.au/about-westpac/global-locations/westpac-uk/wel-regulatory-disclosures/>.

**“Order”** means a request or communication received from a customer to enter into a transaction with WIBL on a principal to principal basis in relation to a financial product. This covers both Orders placed electronically or through recorded media, as well as to market transactions entered into when a customer accepts an offer from WIBL.





**“Terms of Business”** means WIBL’s Terms of Business for Professional Customers and Eligible Counterparties.



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**China, Hong Kong and Singapore:** Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4



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regulated activity. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking Regulatory Commission (CBRC).

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