Austock Securities Limited

Best Execution Policy

There have been recent changes in the regulation of Australian Equity Markets to allow competition between exchange markets that offer trading in ASX-quoted products in Australia. With the availability of new exchange markets (such as Chi-X), new circumstances affect the trade order execution process, which is no longer limited to the ASX exclusively.

Austock Securities Limited (Austock) wishes to advise its clients of some conditions that could affect them in this new trading environment and relevant trade characteristics.

Best Execution Obligation

In handling and executing client orders Austock is required to take reasonable steps to obtain the best outcome for clients. Unless a client has given instructions to the contrary:

- the best outcome for a Retail Client means the best Total Consideration; and
- the best outcome for a Wholesale Client may be based on any one or more of the following outcomes: price, costs, Total Consideration, speed, likelihood of execution or any other relevant outcome.

What does best Total Consideration mean?

Best Total Consideration means the best price. If you are buying financial products, the best price is the lowest price. If you are selling financial products, the best price is the highest price. In deciding what is the best price, we will take into consideration the costs of using different exchange markets, if the costs differ.

We will make decisions about the best price available based on information available at the time we make the decision. Because Australian exchange markets are live electronic markets, the price can change in the short time it takes to make a decision and execute a transaction based on that decision. Therefore the price obtained may be different from the price quoted at the time of the decision.

[For wholesale clients, this should include the outcomes the market participant considers relevant, as well as any trade-offs among these outcomes. For example, if likelihood of execution is considered the most important outcome, the trade-off may be price.]

Order Books

Austock has access to the ASX Tradematch order book. Austock has applied to be a participant on the Chi-X exchange and we expect to have access to the Chi-X order book shortly.

ASX is proposing to introduce an alternative to its Tradematch order book, called Purematch. Austock will consider accessing Purematch if and when it is introduced.

Instructions

Austock must take reasonable steps to handle and execute a client’s orders in a manner which satisfies any specific instructions from the client (including time, quantity type instructions) which achieves the desired outcome for the client.

Other Matching Mechanisms

Block trades	The transaction is a crossing in a single stock — that is, Austock matches two orders off an order book of a licensed marker either: • on behalf of both buying and selling clients to the transaction • on behalf of a buying or selling client on one side of the transaction and as principal on the other side, where the resulting transaction would result in a purchase or sale for a total consideration of not less than $1 million. In order to meet the $1 million threshold, one side of the transaction may include a number of orders from one or more clients, provided the other side of the transaction is Austock as principal or as agent on behalf of one client.
Large portfolio trades	The transaction is a crossing and there is a purchase or sale of at least 10 different securities under a single agreement between the buyer and seller where: • the aggregated consideration is not less than $5,000,000; and • the consideration for each different security is not less than $200,000.
Trades at or within spread	The transaction is entered into: • by matching of orders on an order book of a licensed market; or • off-order book as a crossing at a price (at the time of execution) that is: • the best bid or offer; • at a price step which is both above the best bid and below the best offer; or • at the midpoint of the best bid and best offer. For the purposes of this exception, the reference price for determining whether a trade is at or within the spread is either: • for transactions on an order book of a licensed market—an appropriate reference price.; or • for transactions entered into off an order book—the reference price must be the consolidated best available bid and best available offer across all order books of licensed markets, whether or not Austock has access to all of the order books. The midpoint is not limited to the standard tick sizes for the security. This exception means, for example, that where the spread (i.e. the difference between the best bid and best offer) is a single price step (e.g. $5.01 and $5.02), the trade must be done at either: • the best available bid or offer (i.e. $5.01 or $5.02); or • at the midpoint (i.e. $5.015).
Permitted trades during post-trading hours period	The transaction occurs in the period from the earliest time that trading hours end on any market until 30 minutes after the latest time that trading hours end on any market and it: • completes an order received before the end of continuous trading (or if there is an auction at the end of trading hours, prior to that auction) on the market; • comprises a bona fide hedge; • completes an order that narrowly missed execution during an auction at the end of trading hours for a market; • rectifies an error; or • results in the transaction being sold by a nominee that holds the securities on behalf of a fund manager to another nominee that holds the products on behalf of the same funds manager and Austock acts for both clients.
Permitted trades during pre-trading hours period	The transaction is a crossing that occurs in the period three hours before the start of trading hours on the listing market until 15 minutes before the start of trading hours on that market: • which involves overseas resident clients on each side of the transaction, or an overseas resident client on one side with Austock as principal on the other; and • where a market maintained by a recognised stock exchange in the overseas client’s (or one of the overseas client’s) country of residence is open for trading at the time. The list of recognised stock exchanges is maintained by the ASX and is available on its website.

	This exception is intended to prevent all trading for domestic clients and between market participants before the opening of markets to ensure maximum demand and supply in the opening auction and to minimise opportunities for regulatory arbitrage between transactions done on a licensed market and outside trading hours.
Out of hours trading	A transaction that is executed after the end of the post-trading hours period and before the start of the pre-trading hours period on the next trading day. If the transaction is on behalf of a client, the transaction must be a crossing and the order must be received from the client during this period. During this period, transactions can occur between any parties without constraint on price and size.

How the best execution obligation affects the handling and execution of client orders

The circumstances in which client orders will be routed to an exchange for execution will, in certain cases, be determined by the instructions received by the client at the time. Different order instructions include:

Day Orders

A Day Order is an order that is only valid on and for the day it is entered. Day Orders will only be valid between the hours of 10 AM and 4:12 PM EST. A Day Order received prior to the opening of the principal marketplace at 10 AM EST (currently the ASX) will not route to an alternative marketplace. Instead the order will route into the opening sequence of the principal marketplace. If received after the opening of the principal marketplace, the order will be entered into the "best market" at the time of entry. "Best market" is defined as the market with the best bid (buy price) or offer (sell price) and/or best historical liquidity and where the trader feels the order has the highest probability of execution. From there, the order will trade on any marketplace that Austock has access to and/or can access for the purpose of best execution. Any remaining unfilled amounts from your Day Orders will not be automatically moved to another marketplace after the close of the principal marketplace. A new order is required to participate in any other marketplace that may still be open for trading.

Special Terms and All or None Orders

Orders with specific terms that are not immediately executable in the principal marketplace such as minimum size orders or All-or-None (“AON”) will be posted to the Special Terms Market of an exchange or ATS that supports the respective order type.

Good Till Cancelled Orders (GTC)

As a default all client GTC orders will be converted to day orders and expire at the end of the day they were received.

Market Orders

A Market Order ("MO") is when the client has instructed a dealer to buy or sell at whatever prices available are in the marketplace to help ensure a complete and full fill. These orders require immediate completion. A market order received prior to the opening of the principal marketplace at 10 AM EST (currently the "ASX") will not book to an alternative marketplace. Instead, it will book into the opening sequence of the principal marketplace. If received after the opening of the principal marketplace, the order will be entered into the "best market" at the time of entry. "Best market" is defined as the market with the best bid (buy price) or offer (sell price) and/or best historical liquidity and where Austock feels the order has the highest probability of being executed. From there, the order will trade on any marketplace Austock has access to and/or can access for the purpose of best execution.

The order will expire, if not filled in full, on the market where the last portion of the order remains live until that marketplace closes. In the case of an order where the last portion remains on the ASX, this will expire at 4:12 PM EST.

<u>Market on Close Orders</u>

A Market on Close ("MOC") order must trade on the close, at the calculated closing price, of the principal marketplace. Currently the ASX is the only marketplace that offers a MOC facility. All MOC orders will therefore be entered into the ASX, as the principal marketplace. Please be advised that this is an anonymous price facility. Therefore you do not know the price at which you will be executed until after execution has completed.

Limit orders are allowed but may, by the nature of a limit order, negate execution. For further details of this facility, please contact your Austock adviser.

<u>Limit Orders ("LO")</u>

A limit order has a specific minimum sale price or maximum purchase price provided by the client. A limit order received prior to the opening of the principal marketplace at 10 AM EST (currently the "ASX") will not book to an alternative marketplace. Instead, they will book into the opening sequence of the principal marketplace. On or after 10 AM EST, if a limit order is not immediately executable on any marketplace, the client may designate their marketplace of choice for booking of the unexecutable order. If the client does not direct the unexecutable order to a specific marketplace, the order will be entered into the "best market" at the time of entry. "Best market" is defined as the market with the best bid (buy price) or offer (sell price) and/or best historical liquidity and where Austock feels the order has the highest probability of being executed. From there, the order will trade on any marketplace Austock has access to and/or can access for the purpose of best execution. The order will expire, if not filled in full, on the market where the last portion of the order remains live until that marketplace closes. For an order where the last portion remains on the ASX, this will expire at 4:12 PM EST.