



BEST EXECUTION & ORDER HANDLING POLICY

PO Capital Markets Pty Limited

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1. Introduction

Under the guidelines outlined in the AFMA Market Conventions for OTC markets , PO Capital Markets Pty Ltd (POCM) has put in place this Order Execution Policy (“this Policy”) in accordance with the Corporations Act 2001 as defined under s767A of the Act. The aim of this document is to set out in sufficient detail and in an easy-to-understand way how we will handle the execution of our clients’ orders. This Policy should be considered alongside our Client Agreement and our Terms and Conditions which are available on our website or on request. They may from time to time be amended and such new versions will be made available to all onboarded counterparties within 7 business days.

2. Scope

This Execution and Order Handling Policy (the “Policy”) is applicable to execution services provided to you by PO Capital Markets Pty Ltd.

The Policy should be read in conjunction with the POCM Terms of Business.

Execution Services.

In providing execution services to you in relation to financial instruments (as set out in Annex 1), POCM may (subject always to applicable law):

- (1) arrange a transaction in the over-the-counter financial markets, which may be inside or outside of Australia;
- (2) arrange for the submission of trading interests to the PO Trade Liquidity venue for execution, which may be inside or outside of Australia;
- (3) transmit an order to another entity (which may be an affiliate of POCM) for execution in accordance with one of the methods described above.



3. Client Categorization

Under the Corporations Act 2001, MIFID II and Dodd Frank regulation POCM categorises each of its clients, either to be a SEF or MIFID II reporting counterparty or a ‘participant’ of the PO Trade Liquidity platform. This is reflected in our “Client Agreement” with you, thus so we can make sure we are routing the correct reporting requirements back to the client. We do not transact business with retail customers and therefore only transact business with those counterparties that fulfil the criteria of Professional Client (“PC”) or Eligible Counterparty (“ECP”). Professional Client and Eligible Counterparties must either be an Australian Entity that is an Australian ADI within the meaning of section 9 of the Act or a Foreign ADI that has the meaning given by Section 5 of the Banking Act 1959.

Once a client is classified as an Eligible Counterparty for the purposes of a particular instrument be it clearing or regulatory reporting, that client may not then elect to be re-classified for the purposes of one transaction of a type it customarily undertakes.

Exceptional circumstances may be considered at the time but we may decline to provide a service should a re-classification be requested.

4. Business Model and Broking Methodology

POCM’s execution services are provided through:

- voice broking, where brokers, supported by proprietary screens displaying historical data, analytics and real-time prices, discover price and liquidity for their clients; and
- electronic platforms.

These arrangements can be combined in hybrid broking models, which allow for the interaction of trading interests through both voice and electronic systems.

The business brokers products using three major execution methods:

- Name Passing (where all counterparties to a transaction settle directly with each other or through a settlement agent);
- Matched Principal (where POCM or an affiliate of it acts as a counterparty to both sides of a matching trade to facilitate the transaction); or
- Give-Up (where a broker places an order for a client on a trading venue and then “gives up” the resulting trade to the relevant client or its clearer).



5. Best Execution Factors

In accordance with AFMA and Australian Market Regulators, POCM will take all sufficient steps to provide the best possible result for its clients when executing orders on their behalf.

We are required to provide clients with our Order Execution Policy that includes how we will handle specific client instructions, as well as the processes to monitor executions and the evidencing of compliance to our policy.

All clients of POCM will be treated in accordance with their Classifications which will have been communicated to them. We act in the best interests of clients when providing execution services and that we maintain monitoring arrangements that demonstrate compliance.

POCM will undertake on-going assessments of the execution venues used to determine whether existing venues continue to provide the best possible result for clients and also to review the suitability of new products or product types for the venue. In making this assessment we will utilise information derived from our own internal best execution monitoring tools and processes. This will include the following factors:

- 1 Price;
- 2 Liquidity;
- 3 Size & nature of order;
- 4 Execution and clearing costs;
- 5 Clearing arrangements such as settlement reliability; and
- 6 Execution venue trading controls;

Order Handling

When handling orders, the objective is to:

- ensure that executed client orders are promptly and accurately recorded and allocated; and
- carry out otherwise comparable client orders sequentially and promptly unless:
 - (i) otherwise instructed by the client;
 - (ii) the characteristics of the order or prevailing market conditions make this impracticable; or
 - (iii) the interests of the client require otherwise.

Settlement of Orders

Where it is responsible for overseeing or arranging the settlement of an executed order, POCM will take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.



Application of Best Execution

Best execution obligation is applicable when we act in a principal capacity and customers place a legitimate reliance on us to protect their interest in relation to the execution of a transaction. In order to determine if customers place legitimate factors on us, these considerations are taken into account:

Initiation of orders – Where customers initiate the transactions, it is unlikely that legitimate reliance is placed on POCM. We regard trade ideas communication, market communication or indicative prices as forms of providing information as part of the general business and do not believe that such communication will be deemed to have initiated the transaction.

Market Practice – Where it is a normal market practice for buyer and sellers to “shop around” by approaching several brokers/dealers for a quote, it is deemed that customers have ready access to various providers and hence, would be less likely to place legitimate reliance on POCM.

Transparency within the market – In circumstances where pricing information is transparent and it is reasonable that customers have access to such information, it is less likely that customers place legitimate reliance on POCM.

Aggregation and Allocation

POCM is not permitted to aggregate orders. Consequently, client orders will not, under any circumstance, be aggregated by POCM.

Misuse of Information / Confidentiality

POCM will take all reasonable steps to prevent the misuse of information relating to pending client orders by any of its relevant persons. For this purpose, POCM operates barriers which limit the flow of potentially sensitive information between colleagues and different areas of the business. POCM’s internal dealing rules prevent employees in possession of price sensitive information from taking advantage of that information by dealing in that security or arranging for someone else to do so.

Further details in respect of the confidentiality procedures implemented by POCM are provided in the POCM Conflicts of Interest Management Policy which is available on the POCM website, and which can also be obtained by contacting the client on-boarding department on onboarding@pocapital.com.au



6. When Best Execution Is Deemed to Have Been Provided

POCM is deemed to have provided “best execution” in the following circumstances:

Client Instructions

Where clients provide POCM with a specific instruction in relation to the entire order, or any particular aspect of the order, including an instruction for the trade to be executed on a particular venue, POCM will execute the order in accordance with the client’s instructions. In following the client’s instructions, POCM will be deemed to have taken all sufficient steps to provide the best possible result for the client.

7. Exemption from the provision of Best Execution

When Best Execution Is Not Owed

Notwithstanding the intentions expressed above, POCM does not undertake to provide “best execution” in the following circumstances:

Legitimate reliance:

- In the wholesale OTC derivatives (and for the avoidance of doubt this would include derivatives in Foreign Exchange, Energy and Commodities) in which POCM operates or may operate in the future (and are recognised by the ASIC) it is normal market practice for buyers and sellers to “shop around” by approaching several brokers/dealers for a quote. In these circumstances, there is no expectation between the parties that the broker/dealer chosen will owe best execution. As a sophisticated participant in the wholesale markets, unless you advise us to the contrary, we will assume that this is your normal trading behavior.



8. Execution Venues

This Policy sets out the venues on which POCM may execute your order. It has identified those venues on which POCM most regularly seeks to execute your orders and which POCM believes offer the best prospects for achieving the best possible results for you, taking into account the execution factors detailed below.

POCM can execute trades on your behalf on any of the following execution venues:

- Any venue operated by POCM;
- Via traditional voice broking and or via Chat RFQ system:

When selecting the venue on which to transact, POCM will take sufficient measures to ensure that the selected venue obtains the best possible trading result for its clients, subject to the following general factors

- In the OTC markets in which POCM operates, it can only give clients visibility to prices that have been communicated to POCM by other clients that operate in the same market; accordingly, any “best outcome” will solely be within these limits. However, when executing orders or taking a decision to deal in OTC products, including bespoke products, POCM will check the fairness of the price proposed to the client by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products;
- POCM will provide details of all tradable bids and offers (subject to the other matters referred to below);
- Time availability of prices – in many markets, there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve; accordingly, the “last traded” price may not always be available or act as a reliable indicator of current price;
- POCM cannot allow clients to trade in a market unless it is reasonably satisfied that the client (via an agent or otherwise) is operationally capable of settling the relevant trade;
- POCM cannot control either the cost of credit (credit premium) or credit acceptance between its clients; and
- where POCM invites you to choose one execution venue rather than another, we will provide fair, clear and not misleading information to prevent you from choosing one execution venue rather than another on the sole basis of the price policy applied by POCM

In cases where POCM applies different fees depending on the execution venue, we will explain these differences to you in sufficient detail to allow you to understand the advantages and disadvantages of the choice of a particular execution venue.



The execution venues on which POCM places particular reliance in meeting its best execution obligations, and the relevant factors for selecting a particular execution venue, also vary depending on the class of financial instruments to which your order relates.

Organised Trading Facilities (OTF)

The European regulatory package known as MiFID II introduced OTF's as a new type of multilateral trading venue alongside regulated markets ("RMs"). Details of the any OTF's operated by POCM (currently none) are contained in the official rulebooks, which should be consulted for information on the financial instruments, other products and transaction types that are tradable within them.

9. Third Party Execution

On occasions, to act in your best interests, we may execute orders using a Direct Market Access ("DMA") mechanism or route an order through a third party for execution. In these circumstances whilst the deal will be with a third party, we retain execution control and will assess whether the third-party broker is achieving the best results in the relevant markets.

We can transact trades on your behalf in any of the execution venues listed. The venues have been selected either on the basis that they are the only venue available for the relevant product or because we consider they enable us to obtain on a consistent basis the best possible result for the execution of each relevant client order.

Where we use automated systems to route and execute client orders, it will be routed to the best execution venue as determined by the criteria above. Certain large orders that require specialist handling (for example to minimise market impact or price distortion) will be managed by our execution staff.

As a general guideline, price will merit a high relative importance in obtaining the best possible result for our clients. However, illiquid and negotiated financial instruments, price is likely to be more closely inter-related with, and dependent on, the size of the order and the available liquidity.



10. Monitoring and Review

POCM will monitor the effectiveness of its order execution and order handling arrangements as documented in this Policy in order to identify and, where appropriate, incorporate any required amendments to this Policy and any attendant procedures.

POCM will assess, on a regular basis, whether the execution venues included in this Policy provide for the best possible result for its clients or whether POCM needs to make changes to its execution arrangements. Such assessments will include, but will not be limited to:

- reviewing the quality of execution reports provided by those execution venues on which it places a significant reliance against other execution venues in the market; and
- when executing orders in OTC products, including bespoke products, checking the fairness of prices proposed to clients by gathering market data used in the estimation of the price of such products and, where possible, by comparing with similar to comparable products.

POCM will review its order execution arrangements and this Policy at least annually or whenever a material change occurs that affects its ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in this Policy. POCM will notify you of any material changes to its order execution arrangements or this Policy as described above by posting the information on POCM's website.

No Fiduciary Relationship

POCM's commitment to provide you with "best execution" does not mean that it owes you any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between POCM and yourself. You remain responsible for your own investment decisions and POCM will not be responsible for any market trading loss you suffer as a result of those decisions.

All Execution Policy and related documentation updates are posted for client information on the POCM website. Clients are asked to check any changes to these documents.

11. Contact Details

For any queries in connection with POCM or Order Execution Policy please contact: compliance@pocapital.com.au



12. Annexes :

ANNEX 1: FINANCIAL INSTRUMENTS AS DEFINED BY MIFID II & DODD FRANK

1. Money-market instruments;
2. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
3. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
4. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, except for wholesale energy products traded that must be physically settled;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
6. Derivative instruments for the transfer of credit risk; and
7. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of a default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market;



ANNEX 2 - USE OF DISCRETION BY POCM IN RELATION TO E HYBRID BUSINESS

When carrying on business and conducting order entry for clients in relation to PO Trade Liquidity, POCM does not apply any bias of order level and execution level discretion; namely:

- (a) when an order is received it is immediately to the best of the Executing Brokers capability inputted immediately into the order book
- (b) when deciding to place an order into or retract an order from the venue (Order Level Discretion); and/or
- (c) when deciding not to match a specific client order with other opposite orders available on the systems at a given time (Execution Level Discretion).

Any discretion exercised in respect of the PO Trade Liquidity business will be subject to scrutiny and will only be for the protection of the clients' interests whilst maintaining best execution requirements, when they apply, and as set out in this Policy.

POCM supports various trading and communication systems through which orders or indications of interest (Trading Interests) can be submitted by venue users or brokers on behalf of venue users and where they can interact with other Trading Interests (as part of the matching and execution process).

The nature of the discretion exercised will depend on the combination of trading systems used for a particular market segment (or sub-segment). In particular, each of the specific trading systems will enable the relevant broker to exercise discretion in different ways.

Order Level Discretion

Order Level Discretion may be exercised by brokers that sit within the Regulated Market (Executing Brokers). The operator of the will have exercised Order Level Discretion in respect of Trading Interests whenever they have been accepted by an Executing Broker or removed by an Executing Broker.

The operator of the market may establish parameters for trading by users of matching platform, which take account of the characteristics of the users and the market segment, which may be applied to the system to accept or reject Trading Interests. Trading Interests that are rejected will be reviewed by an Executing Broker or a person acting under their supervision.

If an Executing Broker determines at any time that a Trading Interest that has already been placed in the should be removed, having regard to any applicable best execution requirements and as set out in this Policy, the Executing Broker will have discretion to reject that Trading Interest entirely or to remove the Trading Interest.

An Executing Broker may remove a Trading Interest if, for example, the Executing Broker is aware that the venue user does not wish to be exposed to particular risk under certain market conditions. If such market conditions occur, the Executing Broker may remove that venue user's Trading Interests from the venue.

If an Executing Broker rejects or removes a Trading Interest from platform, then it may be executed in accordance with any other methods set out in this Policy.



Execution Level Discretion

Execution Level Discretion may be exercised by Executing Brokers by determining that an order submitted and matched with an opposing order should not be executed against that other order. The Executing Broker will have regard to any applicable best execution requirements set out of AFMA 3.12 and as set out in this Policy. The factors that are relevant are those derived from any applicable best execution requirements under AFMA and as set out in this Policy.

An example of the exercise of Execution Level Discretion may include the determination that an order could be executed at a better price if it were to be broken into lessor orders.

