

# Best Execution



## Best Execution

<b>Policy Name</b>	Best Execution
<b>Owner</b>	General Manager
<b>Compliance date</b>	Full compliance under the transitional regime effective October 2012
<b>Exemptions and deviations</b>	Not permissible.

<b>Version Number</b>	<b>Version Date</b>	<b>Amended By</b>	<b>Amendment Description</b>	<b>Effective Date</b>
v1 d1	7 Nov 2011	Paul Ambry	Review, reformat and first edit of draft provided by external legal counsel.	01 July 2010
v1 d2	12 Apr 2012	Paul Ambry	Updated description of crossing arrangements.	01 July 2010

### Review and Approval

<b>Name</b>	<b>Position</b>	<b>Date</b>
Parrish Davis	General Manager	November 2011
Paul Ambry	Compliance Officer	November 2011



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## 1 Document overview and background

### 1.1 *Purpose of this document*

'Best Execution' requires Evans and Partners Pty Ltd (**EaP**) to take reasonable steps in obtaining the most commercially advantageous outcomes for its clients when handling and executing client orders to buy and sell equity market products. This policy sets out the framework EaP will use to achieve Best Execution.

### 1.2 *Introduction*

The Australian Securities and Investments Commission has issued the following rules: ASIC Market Integrity Rules 2010 (**Market Integrity Rules**); and ASIC Market Integrity Rules (Competition in Exchange Markets) 2011(**Market Competition Rules**), which, taken together, are referred to as the **ASIC Market Rules**.

The Market Integrity Rules supersede and replace the former ASX Market Rules. The Market Competition Rules provide for the introduction of competition between exchange markets, but include policies and requirements that apply to *all* market participants regardless of whether they are trading only on ASX or on other financial markets. The Market Competition Rules require EaP to have in place Best Execution policies and procedures.

### 1.3 *Scope*

The scope of this document includes the Best Execution policies for both wholesale and retail clients, but does not include the operational aspects of how those policies are implemented.



## 2 Best Execution: retail vs wholesale

### 2.1 Retail

For retail clients, Best Execution will usually require EaP to obtain the best Total Consideration for our client in respect of an Order. Total Consideration means:

- (Buy Order) the purchase price paid by the client (unit price multiplied by volume), plus Transaction Costs; and
- (Sell Order) the sale price received minus Transaction Costs.

Transaction Costs include:

- execution costs;
- clearing and settlement costs; and
- commissions received by EaP.

Where there are no material differences to the Transaction Costs arising in a financial market for EaP to consider in executing an Order, EaP will satisfy the Best Execution obligation by taking reasonable steps to obtain the best purchase or sale price for an equity market product available (**Best Price**) [this provision of the policy is subject to any instructions provided by the client – see Section 4].

### 2.2 Wholesale

For wholesale clients, Best Execution will usually require EaP to obtain the best outcome for our client in respect of an Order having regard to:

- this Policy;
- the client's instructions; and
- the nature of the Order (eg, buy, sell, limit order, market order, or order generated by algorithm or in another way).

Subject to any specific instructions to us, EaP will take reasonable steps to achieve the best outcomes for a client in respect of an Order by executing Orders with regard to the following criteria:

- best Total Consideration;
- Transaction Costs;
- implicit costs (such as costs arising from executing an Order in more than one transaction or in more than one market);
- speed of execution;
- certainty of execution; and
- any other factors that appear to us relevant to achieving the best outcome.

Where Ea considers that the best outcome for a client in respect of an Order is achieving the best Total Consideration, and that other criteria are not material to achieving the best outcome, EaP will take reasonable steps to obtain the best Total Consideration in respect of an Order [this provision of the policy is subject to any instructions provided by the client – see Section 4].







### 3 Client instructions

Clients may provide EaP with instructions in relation to an Order.

Retail Clients may only provide us with specific instructions on an order by order basis (**Specific Instructions**). Wholesale Client may provide us with Specific Instructions or instructions to be applied in relation to all Orders for that client (**Standing Instructions**).

Specific Instructions or Standing Instructions may apply to such matters as:

-  speed of execution;
-  obtaining execution certainty;
-  choice of market (where available); and
-  minimising market impact.

**EXAMPLE:** a retail client may provide us with Specific Instructions that the most important criterion is to ensure the whole order is filled within a business day. We will take reasonable steps to obtain the best outcome for the client having regard to that criterion.

To the extent that the Specific Instructions do not deal with all aspects of execution, we will apply Best Execution outlined above in respect of the Order to the extent the Specific Instructions do not address an issue.






**EXAMPLE:** a wholesale client may provide us with Standing Instructions that the most important criterion is to achieve speed of execution or that certainty of execution is always the most important. We will take reasonable steps to obtain the best outcome for the client having regard to that criterion.

To the extent that the Standing Instructions do not deal with all aspects of execution, EaP will apply Best Execution outlined above in respect of the Order to the extent the Standing Instructions do not address an issue.

Where EaP is provided with Standing Instructions, those instructions should be reviewed with the client at an appropriate interval (as a minimum, annually), as agreed with the relevant client, to confirm those Standing Instructions or vary them, as applicable.

### 4 Receiving instructions

Standing Instructions or Specific Instructions must be:

-  clear and unambiguous;
-  given to EAP:
-  in writing (printed or in electronic form, such as email, will be accepted by EAP); or
-  verbally – in which case the instructions must be recorded by the relevant adviser immediately, and signed and dated;
-  given to us separately as Standing Instructions or Specific Instructions, and not contained in the terms and conditions of another agreement (such as a standard client agreement).

A record of the Specific Instructions or Standing Instructions will be kept by us for a period of 7 years; either in the client file or in the advisor's order and advice pad.







Clients giving Specific Instructions or Standing Instructions should be advised that as result of the instructions, EAP may not achieve the best outcome for them in respect of an Order or Orders. Such advice should be recorded and kept in the advisor's order and advice pad.



## 5 Crossings and other Trades

EAP transmits most Orders to the Order Book maintained by ASX. Evans and Partners may also transmit Orders to places other than the Order Book (namely, a Crossing System provided by EAP) where permitted by the relevant rules and where consistent with Best Execution.

For Orders given to us by Wholesale Clients, EAP may also seek to fill Orders through other Matching Mechanisms, such as the following:

-  Block Trades;
-  Large Portfolio Trades;
-  Trades At or Within the Spread;
-  Permitted Trade during the Post-Trading Hours Period;
-  Permitted Trade during the Pre-Trading Hours Period; and
-  Out of Hours Trades.

These trade types are regulated by the ASIC Market Rules, the ASX Operating Rules and Corporations Act.

Trades are to be executed at an agreed price in accordance with client instructions, the ASIC Market Rules, the ASX Operating Rules and the Corporations Act, while ensuring compliance with EAP's obligation to maintain an orderly market.

For Orders given to us by Retail Clients, EAP may also seek to fill Orders through Matching Mechanisms. This will usually only occur where the Order given to us involves a large volume.

The use of Matching Mechanisms is subject to any Specific Instructions or Standing Instructions.

Evans and Partners transmits most Orders to the Order Book maintained by ASX. Evans and Partners may also transmit Orders to places other than the Order Book (namely, a Crossing System provided by Evans and Partners) where permitted by the relevant rules and where consistent with Best Execution.

In some rare circumstances (for example, where your Order may be advantageously consolidated with another Order with the same attributes), Evans and Partners may also seek to fill Orders through other matching mechanisms, such as:

- Block Trades
- Large Portfolio Trades
- Trades At or Within the Spread
- Permitted Trade during the Post-Trading Hours Period
- Permitted Trade during the Pre-Trading Hours Period
- Out of Hours Trades

Generally, we would employ one of these matching mechanisms on your behalf because the Order you gave us involves a large volume. We would execute the Order at the agreed price to make the certain the volume was executed (while ensuring compliance with Evans and Partners' obligation to maintain an orderly market). In some instances, there may be a trade-off in price to ensure the entire volume of the Order is executed (please refer to the section below on Client Instructions for more details).



## 6 Disclosure

EaP must notify clients of this Policy at the following times:

- to existing clients by 31 October 2011 (effected through client circular sent to all clients by email on 28 October 2011);
- before accepting an Order from a client for the first time;
- on the request of a client; and
- when there is a material change to EaP's Best Execution Policy.

EaP will endeavour to provide clients with any information regarding changes to its Best Execution Policy that are necessary to enable the client to make a properly informed decision about whether to continue to use the services of EaP for trading equity securities.

In particular, EaP will notify clients of any change to the Best Execution Policy that results from:

- a change to the licensed markets on which EaP trades;
  - any material change to the manner in which EaP executes Orders;
  - any material change to the manner in which EaP transmits Orders to an Order Book;
  - or
  - any material change to Matching Mechanisms.
- EaP is not required to obtain from clients any acknowledgement of or consent to the disclosure.
- EaP is not required to notify Wholesale Clients of the Best Execution Policy if the Wholesale Client agrees that it is not required. Any such agreement must be:
- clear and unambiguous;
  - in writing; and
  - not contained in the terms and conditions of a client agreement or another agreement (such as a standard client agreement).

A record of an instruction of the type referred to in clause 8(e) must be kept for 7 years.








## 7 Records and client requests






EAP must keep sufficient information to demonstrate its compliance with this Policy, in particular that Orders have been executed in accordance with this Policy.

The information referred to in this policy must be kept for 7 years.

Records to be made and maintained will include:

-  records of client instructions (including Specific Instructions and Standing Instructions);
-  any advice that Specific Instructions or Standing Instructions may not deliver the best outcome;
-  steps taken to handle and execute an Order; and
-  the basis for selection of an Order Book or use of a Matching Mechanism (which may include details of prevailing market conditions, best bid and offer and market volumes).
-  On receipt of a 'reasonable request' by a client, EAP will demonstrate to the client that an Order has been executed in accordance with EAP's policies and procedures, including this Policy.

A 'reasonable request' is one that:

-  is consistent with conventional market practices;
-  is commercially sound (for both the client and EAP);
-  is able to be executed within the technical constraints of the EAP's market access systems;
-  is consistent with an orderly market; and
-  does not have the potential to, or appearance of, breaching any market rules, Corporations rules or any other Act or Common Law provision.

Information request by a client under this clause 9 must be provided to the client within a reasonable time. Generally, EAP will endeavour to provide the information within 7 days.

## 8 Review of Policy

EAP will regularly review and monitor this Policy and the arrangements it describes.

Please provide any comments on this Policy or matters that you consider should be revised or reviewed to the Document Owner.