
Jefferies (Australia) Securities Pty Ltd

Order Execution Policy

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I. INTRODUCTION

As required by Part 3.8 of the *ASIC Market Integrity Rules (Securities Markets) 2017 (MIRs)*, this document (the **Policy**) sets out Jefferies (Australia) Securities Pty Ltd's (**Jefferies**) Order Execution Policy and arrangements for complying with its obligation as a market participant to take reasonable steps to obtain the best outcome (or **best execution**) for its clients when handling and executing client orders.

This Policy sets out how, in general terms, Jefferies' best execution obligation affects the handling and execution of client orders. Any material changes to this Policy will be notified to clients and made available on the Jefferies website – www.jefferies.com

II. SCOPE

Jefferies' best execution arrangements apply where it executes orders to buy or sell Equity Market Products ("**Orders**") on behalf of a client. Equity Market Products include:

- shares;
- interests in listed managed investment schemes (including exchange-traded funds);
- rights to acquire or sell shares or interests in managed investment schemes under a rights issue;
- CHESS Depository Interests admitted to quotation on ASX; and
- transferable custody receipts that are admitted to quotation under a market's operating rules.

As Jefferies' clients are wholesale clients (as defined under section 761G of the *Corporations Act 2001 (Cth)*) only, this Policy does not deal with best execution obligations as they relate to retail clients.

III. ACHIEVING BEST OUTCOMES FOR A CLIENT

This Policy applies when Jefferies handles and executes Orders on behalf of a client, subject to any Specific Instructions (as defined in Section VIII below) received from a client.

Jefferies will take reasonable steps to achieve the best outcome for the client. This means that Jefferies is required to have in place policies and procedures that are designed to obtain the best outcome for execution of client orders, subject to and taking into account the nature of the client orders, the priorities placed on Jefferies in filling those client orders, and the nature of relevant markets.

In taking reasonable steps, Jefferies will look to achieve the best balance across a range of sometimes conflicting execution factors described in Section IV below. Jefferies seeks to achieve the best outcome for each client in respect of each order. However, Jefferies does not seek to impose a requirement to achieve the best possible result in each case – rather the focus is on establishing and adhering to procedures whereby we take reasonable steps to achieve the best outcome for each client order.

IV. ORDER EXECUTION FACTORS

When determining the strategy for execution of a client's order, Jefferies will take into consideration certain outcomes (**Execution Factors**) as appropriate, in the context of the terms of the client's order. The Execution Factors that Jefferies may consider include, but are not limited to:

- price;
- speed;
- market liquidity;
- size of the order;
- likelihood of execution and settlement;
- transaction costs;
- market impact;
- nature of the transaction including which execution venue it is executed on; and

- any other outcome relevant to the efficient execution of the order.

Jefferies takes into account the following criteria when determining the relative importance of the various Execution Factors:

- the clients' individual requirements and their instructions;
- characteristics of the client's order (market order, limit order etc.);
- characteristics of the financial products that are the subject of the order; and
- characteristics of any execution venues to which the order can be directed.

In the absence of Specific Instructions from the client (see Section VIII below), Jefferies will exercise its own judgment, skill and experience, having regard to available market information when determining the Execution Factors that it needs to take into account for the purpose of providing the client with best execution.

In general, Jefferies places higher relative importance on price when seeking to obtain the best possible outcome for clients in accordance with this Policy. It is important to note that there can be trade-offs between the different Execution Factors (for example, where likelihood of execution is considered to be the most important outcome, the best price may not be achieved). In addition, subject to any Specific Instructions which are given to Jefferies by a client (see Section VIII), the financial product to which the order relates often dictates to a large extent the determination and ranking of the relative importance of the Execution Factors.

V. EXECUTION VENUES

Subject to any Specific Instructions from a client, Jefferies may use one or more of the **Execution Venues** listed below to enable it to obtain the best outcome when handling and executing an Order on a client's behalf. Jefferies is Execution Venue agnostic and will use the Execution Venues that allow it to obtain the best outcome when executing an Order on a client's behalf.

ORDER BOOKS

Order Book	Market Operator
Trade Match	Australian Securities Exchange (ASX)
Centre Point	ASX
TMX Australia	TMX Australia Exchange Pty Limited (TMX)
Hidden	TMX

CROSSING SYSTEMS

Orders executed via a Jefferies algorithm (see section VII below) may also be directed to one or more of the Crossing Systems operated by the Market Participants listed in the table below in order to achieve Price Improvement¹.

Crossing System
CLSA Australia Pty Ltd
Liquidnet Australia Pty Ltd
Virtu ITG Australia Ltd

EXTERNAL BROKERS

Jefferies may place an order with an external broker (i.e. another Market Participant) for execution. In doing so, Jefferies will seek to obtain best execution by either retaining control of the execution (e.g. by nominating the order book for execution, taking into account

¹ 'Trades with Price Improvement' as defined by ASIC MIR 6.2.3

the Order Execution Factors listed above), or by relying on the Market Participant's arrangements for obtaining best execution where Jefferies has already determined that the arrangements will enable the client to achieve the best outcome.

VI. CLIENT ORDER HANDLING

Whenever a client places an Order with us, and subject to any Specific Instructions, Jefferies shall be entitled at its absolute discretion and without reference to the client, to select the Execution Venue for executing the Order. Subject to any Specific Instructions, in order to select an Execution Venue for an Order Jefferies will apply the following methodology:

- Jefferies will select the Execution Venue that it considers the most appropriate taking into account the different execution factors affecting the choice of Execution Venue listed above;
- Jefferies may place the Order directly on the Order Book itself; and
- to the extent permitted by the MIRs, Jefferies may execute an order off-Order Book (see section VII below).

Jefferies commissions and charging structure is designed not to discriminate between venues (i.e. client commissions will not vary depending on the venue(s) chosen to execute a client's order). Execution commission is charged to clients at a flat basis points rate. There is no connection/correlation between where orders are routed/executed and the commission rates charged to clients. Jefferies receives no payment for order flow nor inducements from any Execution Venue.

DIFFERING TRADING HOURS

Jefferies will route Orders to Execution Venues during the ASX's 'Open' and 'Post Close' sessions, and TMX's 'Continuous Trading' and '@Last' trading phases. TMX does not operate an opening or closing auction for ASX listed securities and, where a client provides a 'Market on Open' or 'Market on Close' Order, the Order will be deemed to be referencing the ASX opening or closing auction price.

Transactions permitted during Post-Trading Hours, Pre-Trading Hours or Out of Hours (as defined by the MIRs) will be reported in accordance with the MIRs and the rules of the Market Operator. Unless the client provides a Specific Instruction (see Section VIII below), Jefferies will determine the Execution Venue for reporting the transaction.

MARKET OUTAGES

In the event that there is a market outage experienced by one of the Market Operators, Jefferies will continue trading on the Order Book(s) of the available Market Operator if it is operationally possible to do so. However, Jefferies will only continue trading if best execution can still be achieved taking into consideration the Order Execution Factors, or if a client provides a Specific Instruction (see Section VIII below).

PRICE MOVEMENT AFTER ORDER TRANSMITTED

Generally, once an Order has been transmitted to a specific Execution Venue it will not be re-transmitted to another Execution Venue should a better price become available. This is particularly the case for Orders that are immediately executable. Re-transmission to another Execution Venue may occur if Jefferies believes that a better price can be obtained and execution certainty can be achieved.

LIMIT ORDERS

Should a client send a limit Order that is away from the current market price, Jefferies will place the Order on the relevant Execution Venue once the Execution Factors (see section IV) have been considered.

VII. ORDER EXECUTION METHODS

Client Orders may be executed electronically or manually as outlined by the different execution methods below:

ELECTRONIC EXECUTION

Orders to be executed electronically are managed by Jefferies' Automated Order Processing (**AOP**) system. All Orders sent for execution will pass through a series of AOP control filters prior to being placed into the Smart Order Router (**SOR**). The SOR will then seek to obtain the best price available across all Execution Venues accessed by Jefferies.

In extreme volume and volatile situations, trading venue system constraints may (depending upon the client's Specific Instruction) require automated trading systems to be switched off and/or electronic routing to be suspended in favour of manual execution. Such events lead to further execution delays and increased market volatility. Clients should be aware that in such volatile markets, especially at or near the close of a standard trading session, an order may be executed at a substantially different price from the quoted bid or offer or the last reported trade price at the time of order entry. In addition, an order may only be partially executed or may be executed in several shapes at different prices; and opening prices may differ significantly from the previous day's close.

ALGORITHMIC TRADING

Jefferies has developed a suite of trading algorithms each offering different trading strategies. A client Order may be executed utilising an algorithm either by express instruction from the client or at a trader's discretion, taking into account the Execution Factors described above. The parameters of the algorithm will be set according to any client instructions received or at the trader's discretion. The algorithm will determine when to execute the order (the 'parent' order) and will slice the order into smaller quantities ('child' orders) before placing the child order into the SOR for execution in the market.

DIRECT MARKET ACCESS (DMA)

Jefferies offers approved clients the ability to trade via DMA. Where DMA trading is used, Orders will be executed according to specific instructions entered by the client and may also incorporate the use of trading algorithms (either from Jefferies suite of algorithms or the client's own). When an order is received via DMA, it will be routed for execution in the market by the SOR.

MANUAL EXECUTION

A client order may be passed to a Designated Trading Representative (**DTR**) for manual execution. To determine how the order should be executed, the DTR will exercise discretion, taking into consideration the size and nature of the order, any client instructions, the prevailing market conditions and the Execution Factors outlined above. This may involve directing an order to a specific venue or entering into an off-market crossing with an opposing order to achieve Best Execution.

OFF-MARKET CROSSINGS

A client Order may be crossed with an opposing Order when an opportunity arises, unless the client instructs otherwise. Depending upon the nature of the client Order, crossings can enable best execution to be obtained by, for example, providing price improvement, certainty of execution and also reducing potential market impact.

Crossings will not be executed in circumstances when it is not in the best interests of clients or not permitted by the MIRs.

VIII. SPECIFIC INSTRUCTIONS

A client may provide Jefferies with specific execution instructions (**Specific Instruction**) which must be:

- a) clear and unambiguous;
- b) in writing or provided verbally; and
- c) not contained in the standard terms and conditions of a client agreement provided by Jefferies to the client, but which may be a standing instruction or specific order by order instruction.

Whenever a client gives a Specific Instruction to Jefferies as to the execution of its order that is inconsistent with Jefferies obtaining the best outcome for that client, Jefferies will take reasonable steps to execute that order in accordance with the client's Specific Instruction.

In following those Specific Instructions, Jefferies will be deemed to have satisfied its obligations under the MIRs in respect of that part of the order to which the Specific Instructions relate. If a client requires its order to be executed in a particular manner, it must clearly state its desired method of execution when it places its order with Jefferies. To the extent that the client's Specific Instructions are not comprehensive, Jefferies will determine any non-specified aspects in accordance with this Policy.

Where a client uses a DMA system provided by Jefferies (whereby the client selects transaction parameters, including price, venue, timing, size etc.), then such clients will be regarded as providing Specific Instructions to Jefferies in relation to the execution of their order. In such situations, Jefferies, while acting on the client's behalf in providing the DMA service, will be deemed to have satisfied its best execution obligations and the client will be deemed to have given a Specific Instruction for the whole order by means of the DMA system.

Where a client gives Specific Instructions to customise Jefferies' algorithms to meet their own needs, a Specific Instruction is deemed to have been provided with respect to any such customisation to the extent that the Specific Instruction is inconsistent with Jefferies obtaining the best outcome for that client.

IX. MONITORING AND REVIEW

Jefferies monitors the effectiveness of its order execution arrangements in a number of ways, which includes pre-trade, real time and post-trade monitoring activities to assess that Jefferies continues to provide the best possible outcome for clients.

X. DEMONSTRATING COMPLIANCE WITH BEST EXECUTION OBLIGATIONS

Jefferies will demonstrate to a client that its Order has been executed in accordance with Jefferies' best execution policy upon receipt of a reasonable request from a client. Reasonable requests should be made shortly after the client receives confirmation of the transaction.

Jefferies may provide a range of information in order to evidence that best execution was achieved including, but not limited to:

- an overview of the order handling process from receipt of the Order through to execution;
- details of the market conditions at the time;
- rationale for the choice of Execution Venue used;
- any other relevant information to demonstrate that Jefferies has complied with its obligation to achieve best execution.

Jefferies will respond within a reasonable time after receiving the request. The timeframe for the response will vary depending upon the nature of the request.