

Commonwealth Securities Limited Best Execution Statement

30 June 2023

Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 (**CommSec**) is a wholly owned but non-guaranteed subsidiary of the Commonwealth Bank of Australia ABN 48 123 123 124 AFSL 234945. CommSec is a Market Participant of ASX Limited and Cboe Australia Pty Limited, a Clearing Participant of ASX Clear Pty Limited and a Settlement Participant of ASX Settlement Pty Limited. CommSec has an obligation to take reasonable steps to obtain the best outcome for its Customers when handling and executing Customer orders for equity market products as required under Part 3.8 of the ASIC Market Integrity Rules (Securities Markets) 2017 (**ASIC MIRs**) (the **Best Execution Obligation**).

This disclosure sets out how CommSec meets its Best Execution Obligation.

Best Execution

CommSec will take reasonable steps to obtain the best possible outcome for its Customers. Best outcome means different things for different Customers.

For retail Customers, best outcome will mean best total consideration. Best total consideration means:

- Best purchase price plus brokerage costs; or
- Best sale price minus brokerage costs.

CommSec interprets best total consideration as 'best price' given brokerage costs remain the same irrespective of the execution venue¹.

For Wholesale Customers, CommSec will prioritise the 'best price' when obtaining the best outcome.

Order Books

To satisfy our Best Execution Obligation, CommSec may connect to and submit orders to any of the following order books:

- ASX TradeMatch (**ASX TM**);
- ASX CentrePoint (**ASX CP**); and
- CXA.

Some financial products are only quoted on one execution venue. Any orders received for single venue-quoted financial products will be routed to the relevant execution venue.

Handling of Orders

Orders accepted by CommSec will be vetted and actioned via either a CommSec order router engine to obtain the best possible outcome or by human intervention. CommSec has procedures and arrangements in place to:

- deal with Customer orders promptly, fairly and as expeditiously as practicable;
- execute comparable orders sequentially as appropriate;
- prioritise the interests of a Customer ahead of our own in the event of a conflict; and
- Manage and facilitate existing orders and new order flows during a market outage or other disruptive event.

Where part or all of an order does not trade immediately, the remainder of that order may be sent to one of the available execution venues. During pre-auction phases of ASX TM, CommSec will send orders to ASX TM to participate in the auction. Orders that are sent to an execution venue will remain until executed, purged, amended or cancelled.

There may be circumstances where an execution venue and/or an order book of a licensed market is unavailable, for instance, during a market outage. CommSec will use its sole discretion to take whatever action it deems appropriate to ensure it continues to meet its Best Execution Obligation together with the various other obligations which apply to CommSec (which include, but are not limited to, the requirement for CommSec to not do anything which results in a market for a financial product not being both fair and orderly, or fail to do anything where that failure has that effect). The actions CommSec may take include (but are not limited to):

- temporarily disconnecting from an execution venue or order book within an execution venue;
- executing existing and / or new orders on any remaining available order book(s) (if appropriate);
- holding new orders until an execution venue or specific order book becomes available;
- holding existing orders on an order book until that order book becomes available or the order is filled, purged or cancelled;
- rejecting any new order that is likely to be a duplicate of an existing order held within an order book that is experiencing the outage / disruptive event;

¹ Execution venues include ASX and CXA licensed markets

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- holding a new order for a listed product only listed on one execution venue until the relevant execution venue becomes available;
- removing or cancelling orders from an execution venue or order book. Any order removed / cancelled from an order book will lose client order priority; and / or
- any other action having regard to the specific circumstances of the specific event.

Orders (other than CommSec Pocket orders) received outside of trading hours will be transmitted to an execution venue as soon as practicable.

CommSec Pocket orders

For CommSec Pocket orders, CommSec will:

- a. aggregate regular investment orders to be executed on a particular trading day with one-off buy orders entered outside of trading hours before market open on the relevant trading day; and
- b. aggregate one-off sell orders entered outside of trading hours before market open.

The orders in a) and b) above may be “crossed” against each other (in whole or in part). CommSec will execute the aggregated orders after the ASX TM opening auction on the relevant trading day once there is sufficient market liquidity. Sufficient market liquidity exists when the ETF market maker, provided there is one, is active and the aggregated orders can be traded at a price close to the value of the underlying assets. Each order underlying an aggregated order will be allocated the volume weighted average price for that aggregated order to enable CommSec to achieve the best execution outcome, on average, for each underlying order. The price may differ from the price a Customer would have received if they had placed a one-off order or if the orders had not been aggregated.

One-off orders which are received during trading hours will not be aggregated and will be executed as soon as reasonably practicable, like all other orders referred to under this disclosure.

Consequently, a one off order received shortly after market open may execute before an existing aggregated CommSec Pocket order.

In the event of a market outage or other disruptive event:

- Pocket "crossed" trades will be reported to the available execution venue;
- Pocket one-off orders will be executed on the most appropriate / available order book or held until an appropriate order book is available.

Further details on how CommSec deals with CommSec Pocket orders are set out in the CommSec Pocket Terms and Conditions.

Specific instructions

Where we receive specific instructions from a Customer, we will take reasonable steps to execute those instructions, even though they may not achieve the best outcome for the Customer, provided they do not conflict with other obligations under the Corporations Act 2001, the ASIC MIRs or other relevant laws. However, we reserve the right not to accept instructions from a Customer where the Customer nominates a single execution venue.

Requests for information

On receipt of a reasonable request by a Customer we will provide the Customer with evidence that the order has been executed in accordance with our policies and procedures. On receipt of a request we will advise the Customer of the estimated time to provide the necessary information. We will respond to requests within a reasonable time.

Periodic review

CommSec will review and monitor our Best Execution policies, procedures and the implementation of these policies and procedures annually to ensure they continue to be adequate to ensure compliance with the Best Execution Obligation.