# Deutsche Securities Australia Limited

# Order Execution Policy

*Passion to Perform*

## 1. Introduction – Best Execution

Deutsche Securities Australia Limited ABN 65 003 204 368 (**"Deutsche Securities"** or **"we"** or **"us"**) is the holder of an Australian financial services licence no. 238160 and as such has obligations under the Corporations Act 2001(Cth). Deutsche Securities is a Market Participant of ASX Limited (**"ASX"**) and Chi-X Australia Pty Ltd (**"Chi-X"**), and as such has obligations under the:

- · Operating Rules of both ASX and Chi-X; and
- · ASIC Market Integrity Rules (Securities Markets)

Deutsche Securities has an obligation under the ASIC Market Integrity Rules[1] to take all reasonable steps to obtain the best possible outcome for our clients when handling and executing their orders.

This document sets out our best execution policy. If you have any questions about any particular aspect of this policy, our execution approach or your order routing connectivity, please contact your relevant Deutsche Securities' representative.

## 2. Scope

Our policy applies when we are dealing in Equity Market Products and CGS Depository Interests on your behalf, including when we execute all or part of your order by way of a crossing (that is, with Deutsche Securities or another client or clients on the other side of a transaction) and irrespective of whether we are dealing on an ASX or Chi-X order book or away from an ASX or Chi-X order book under an exception to the pre-trade transparency requirements of the ASIC Market Integrity Rules[3].

Whilst handling and executing your orders, Deutsche Securities will treat you as a Wholesale Client as defined in the Corporations Act[4]. If you are not a Wholesale Client then you need to tell us immediately as the best execution obligations that will apply to us when handling and executing your orders may be different to those applicable to a Wholesale Client.

## 3. Execution Venues

Taking into account:

- · your instructions (or the parameters you include on your orders);
- · how your orders are received and managed;
- · prevailing market conditions (including prices, liquidity, and market availability); and
- · the anticipated best execution performance factors referred to in sections 4 and 5 of this policy,

Deutsche Securities may route your orders to or via the following order books for execution (further information about each order book is included in Annexure A to this document):

- · ASX TradeMatch market (**"ASX market"**);
- · ASX Centre Point market (**"Centre Point"**);

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[1] ASIC Market Integrity Rules (Securities Market) Rule 3.8.1

[2] As defined under the ASIC Market Integrity Rules to include shares, interests in a listed scheme, a right to acquire by way of issue a share or interests in a listed scheme, and CHESS Depository Interests admitted to quotation on ASX.

[3] Under these Rules, unless a relevant exception applies we are prevented from entering into a Transaction other than by the matching of a pre-trade transparent order on an order book of ASX or Chi-X. The exceptions and relevant definitions are set out in the ASIC Market Integrity Rules as Block Trades; Large Portfolio Trades; Trade with Price Improvement (which has replaced the previously available At or Within the Spread exception); Permitted Trades during the Post-Trading Hours Period, Permitted Trades during the Pre-Trading Hours Period; and Out of Hours Trades.

[4] subsection 761G(4) of the Corporations Act.

- Chi-X market (**"Chi-X market"**); and
- Deutsche's SuperX Dark Pool (**"Deutsche's SuperX"**).

Although we do not generally expect to do so (and would only do if we considered that by doing so we will achieve a better execution outcome for you), we may seek to execute an order you give to us by placing the order with another market participant of ASX or Chi-X, which may have its own order internalisation arrangements or crossing system (operating on a non pre-trade transparent basis)[5].

Deutsche Securities may enter or generate its own orders as principal as a result of the activity of our own traders, computer program trading or automated execution algorithms. We may also receive orders from our related bodies corporate. These orders may be routed to or via the order books referred to above at the same time as we enter or route orders for clients. It may also happen that a Deutsche Securities principal order or a related body corporate will transact with a client order on the other side of an order book.

In the normal course of Deutsche Securities providing broking services to you (and provided it is consistent with the permitted exceptions to the pre-trade transparent order transaction rules under the ASIC Market Integrity Rules[6]), we may also agree to buy or sell Equity Market Products or CGSDepository Interests from or to you on our own account as principal, or on account of a related body corporate. This may occur even where Deutsche Securities does not maintain a corresponding order on any of the order books referred to above. Any such transaction will be reported by Deutsche Securities to the ASX market or Chi-X market[7].

The nature of our clients' instructions to deal in Equity Market Products or CGS Depository Interests varies, as do the ways in which these instructions are communicated to us. The ways in which client instructions are received by us can affect the manner in which orders are executed and routed to an order book, and ultimately your execution outcome. See Annexure B for further information about how your orders are received, managed, routed to and transacted on an order book.

## 4. Execution Outcomes

In handling any client order we will use reasonable skill, care and diligence to understand the nature of our client's instructions and the market conditions referred to in section 3 above, and execute orders in a way designed to deliver the most favourable execution outcome to our clients.

We consider the term "market" to be broadly construed to encompass the different order books and execution alternatives contemplated in section 3. Our obligation to obtain the best possible outcome is not restricted to the best price of an Equity Market Product or CGS Depository Interest, although this is a primary consideration. The following results are relevant in our assessment of the best execution outcome for our clients.

4.1 Price

We will seek to buy or sell Equity Market Products and CGS Depository Interests so that the resulting price to you is as favourable as possible given your instructions, prevailing market conditions and the

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[5] If this occurs, the other market participant will have an obligation of best execution with respect to the instructions we give them. We will continue to have an obligation of best execution with respect to the instructions you have given us.

[6] Which are the exceptions to the requirement for Transactions to occur by matching of a Pre-Trade Transparent Order on an order book. These are as defined in the ASIC Market Integrity Rules as Block Trades; Large Portfolio Trades; Trade with Price Improvement (which has replaced the previously available At or Within the Spread exception); a Permitted Trade during the Post-Trading Hours Period; a Permitted Trade during the Pre-Trading Hours Period; and Out of Hours Trades.

[7] In accordance with our transaction reporting obligations as a Market Participant.

size and nature of your order.  Prevailing market conditions include the Best Available Bid and Offer[8] (**"NBBO"**).  The NBBO will generally act as the prevailing market reference price.

Wherever practicable, Deutsche Securities will seek to price improve upon the price offered by the Pre-Trade Transparent order/s that form the NBBO.  We will do this by seeking to access non pre-trade transparent liquidity at better prices in Deutsche's SuperX, Centre Point, the ASX market and Chi-X market[9].  Naturally, we can only transact against any non Pre-Trade Transparent order/s if permitted under one of the exceptions to the pre-trade transparency requirements of the ASIC Market Integrity Rules.

### 4.2    Order and transaction size

Order size and the availability of liquidity in any relevant Equity Market Product or CGS Depository Interest can impact your execution outcome (in terms of price, quantity and execution time).  Deutsche Securities may be able to meet liquidity expectations by accessing non pre-trade transparent orders and other more passive forms of liquidity (including liquidity we can offer when acting as principal or on behalf of a related body corporate) that may enable you to transact in the order size required.  This may also minimise implicit execution costs.  We may however, only be able to transact your orders by accessing pre-trade transparent liquidity.

### 4.3    Execution speed

The speed at which orders can be transmitted to an order book or transacted once received can influence your execution outcome.  Our ability to transmit and execute orders in the market quickly can minimise execution delays and secure execution opportunities and certainty.  We seek to maximise execution speed by employing order routing and other technology that minimises time to market.

Speed to the market will be influenced by the nature of your instructions and how any such instructions are communicated to us and subsequently routed to an order book.  You or Deutsche Securities exercising discretion where it is afforded, may seek to minimise time to an order book by directing orders directly to an execution venue on your behalf, rather than for example, seeking price improvement in non pre-trade transparent order books.

### 4.4    Transaction costs

Implicit execution costs are indirect trading costs.  The most relevant implicit execution costs in terms of execution outcomes are market impact and market opportunity cost.   For example, large orders that are transacted on pre-trade transparent order books can increase implicit costs.  These costs may be reduced by linking or tying execution to an execution performance benchmark, or by seeking to execute orders away from pre-trade transparent order books so as to reduce market impact.

The use of execution algorithms to automate the routing and management of orders may also help to reduce these costs.  We may use such algorithms if we consider that the execution and order management performed by an algorithm will lead to more efficient execution or a close or closer to benchmark performance execution outcome (also see section 5 and Annexure B).

Explicit execution costs can include the direct costs of market access, trading, clearing and settlement.  Deutsche Securities does not generally differentiate between execution venues when applying commission rates to its clients' trade executions[10], unless this is something we have agreed to do with you.

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[8] Defined in the ASIC Market Integrity Rules as the highest Pre-Trade Transparent Bid and lowest Pre-Trade Transparent Offer respectively across all order books (defined as an electronic list of Buy Orders and Sell Orders, maintained by or on behalf of a Market Operator, on which those Orders are matched with other Orders in the same list).
[9] The ASX and Chi-X markets to the extent that they have hidden liquidity (for example pegged orders on Chi-X).
[10] Deutsche Securities may review the way it applies direct costs in light of changes in its direct execution costs.

4.5     Execution certainty

Execution certainty is generally a function of order size, market liquidity, market impact, the price of and timeliness of execution.  The nature of instructions or orders received may mean that certainty of execution takes precedence over other more variable execution outcomes.  For example, the volume of Equity Market Products or CGS Depository Interests available on an order book or combination of order books can mean that large orders are not able to be executed in a timely manner or without material market impact.

Certainty of execution can be influenced by the capacity and willingness of Deutsche Securities (or a related body corporate) to act as principal on the other side of a transaction with you.  It may also be influenced by the availability of non pre-trade transparent orders in non pre-trade transparent order books and latent liquidity that Deutsche Securities may be able to access.  Execution certainty may also be dependent on the outcome of negotiations we carry out between or on behalf of potential transaction counterparties.

4.6     Client Instructions and execution benchmarks

This may include executing orders in a way designed or guaranteed (by transacting as principal with you as our counterparty[11]) to satisfy your required or agreed execution benchmarks.  We will generally benchmark trading outcomes in accordance with accepted market convention unless otherwise instructed or agreed.

## 5.     Factors that may influence your execution outcome

The following factors may influence your execution outcome:

5.1     Specific instructions that you give us or send with your order

If you give us specific instructions in relation to the execution of an order or part of an order we have an obligation to take reasonable steps to handle and execute your order in accordance with your instructions[12].  We have this obligation even if executing in accordance with these instructions results in you obtaining a worse outcome than might otherwise have been the case, had we had taken all reasonable steps to obtain the best execution outcome for you.

5.2     The use of execution algorithms and smart order router (**"SOR"**) technology

You may direct orders to our automated execution algorithms for execution.  Our representatives may also direct orders to our execution algorithms on your behalf.  Our execution algorithms manage the execution of orders in an ongoing way by amending, deleting and/or entering new orders for sending to available order books for execution.  We regularly review the quality of execution offered by execution algorithms in order to ensure our clients receive best execution outcomes from the logic applied in our algorithmic models.

A SOR is a technological application that accepts orders for routing to an order book or order books and then routes those orders in part or in full to the appropriate order book on the basis of programmed responses; market data including price and liquidity information; order book availability; order book applicability; and order parameters (together the **"smart order variables"**).  Orders may be routed to an order book via an SOR as a result of having been entered by one of our representatives, by an execution algorithm or by our clients via direct electronic access (**"DEA"**).  Smart order variables can influence the reaction of the SOR and ultimately therefore, the execution outcome for any order.

For further information about the use of execution algorithms and our SORs, please see Annexure B.

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[11]  Provided Deutsche Securities is permitted to transact in this way in accordance with an exception from entering an order on a pre-trade transparent order book under the ASIC Market Competition Rules.
[12]  We have this obligation under Market Integrity Rule 3.8.1

5.3    Regulatory obligations and action

Deutsche Securities has a number of market related obligations that can affect the way we handle our clients' instructions.  This includes an obligation to prevent market manipulation and to prevent orders from interfering with the integrity and efficiency of the order books of licensed market operators.  In order to meet these obligations we may have to refuse to execute or delay the execution of a client's order.  It also means that orders processed by way of DEA are subjected to automated filters.  Market operators may also be able to cancel or amend market transactions that we have executed for you.

5.4    Different trading hours and trading phases

The execution venues identified in section 3 do not necessarily operate at the same time or in the same way.  So for example, transactions on the Chi-X market only occur when the market is trading on a continuous trading basis whereas on the ASX market, they may occur as a result of continuous trading or the operation of the opening or closing single price auctions.  (Also see Annexure B for further information about how the operation of specific execution venues may affect the way your orders are received, routed and transacted).

5.5    Market and system disruptions (including market suspensions) and order book unavailability

Under the ASIC Market Integrity Rules, we are not permitted to match an order or execute any transaction in an Equity Market Product or CGS Depository Interest if the relevant Equity Market Product or CGS Depository Interest is in a trading halt or suspended from trading[13] on the ASX Market and Chi-X Market[14].

In times of system failure and for other unavoidable reasons (for instance connectivity issues or delays), our ability to access the execution venues referred to in section 3 and Annexure A, and to receive and execute our clients' instructions as contemplated in this policy, may be affected.  Even in such cases, we will endeavour to deliver the most favourable execution outcome available to us in the circumstances for our clients.

It may also be the case that due to the nature of your order routing connectivity you have limited order book access (for example you may only wish to be connected to a specific execution venue).

## 6.    Policy review and amendments

We will monitor and review the ongoing applicability of this policy.  If at any time there is a material change to the ways in which client instructions are received and executed, or to the execution venues we access, we will disclose an updated version of this policy to you[15].  You may also access the most recent version of this policy at http://australia.db.com/best-execution.

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[13] Together, "a Trading Suspension".

[14] Under the ASIC Market Integrity Rules, both ASX and Chi-X have an obligation to notify the other if they place an Equity Market Product or CGS Depository Interest into a Trading Suspension, or lifts or removes a Trading Suspension on an Equity Market Product or CGS Depository Interest, in order to ensure that the Equity Market Product or CGS Depository Interest has the same trading status on both markets.  If either ASX or Chi-X is notified of action with respect to the application of a Trading Suspension, ASX or Chi-X must immediately place each relevant Equity Market Product or CGS Depository Interest into a Trading Suspension on its market.  ASX or Chi-X respectively, can only lift or remove a Trading Suspension applied as a result of a notification by Chi-X or ASX if it receives a subsequent notification that ASX or Chi-X has lifted or removed a Trading Suspension.

[15] By sending you a copy or a link to the policy on our website.

## Annexure A – execution venues

A.1    ASX TradeMatch market (**"ASX market"**)

This is ASX's Central Limit order book (**"CLOB"**) for trading in all ASX listed Equity Market Products and CGS Depository Interests.  Orders on the ASX market CLOB are predominately pre-trade transparent[16].  The ASX market operates during the trading day in a number of session states, only two of which allow for the matching of orders[17]:

- · the open session which commences with an opening single price auction (conducted on the basis of orders entered during the pre-open session state, which does not allow for the matching of bids and offers), and then proceeds on a continuous trading basis; and

- · after the close of the open session, the pre-closing single price auction session takes place (like the pre-open session, this session state does not allow bids and offers to be matched), followed by the closing single price auction, which establishes the ASX closing price for ASX listed Equity Market Products or CGS Depository Interests.

A.2    ASX Centre Point market (**"Centre Point"**)

The ASX market also allows Centre Point orders and Centre Point crossings[18] to be transacted or placed on a non pre-trade transparent basis.  Centre Point orders can only transact with other Centre Point orders at the mid-point of the NBBO.

Centre Point orders and Centre Point crossings are only able to be executed when the ASX market trades on a continuous basis. For further information about the ASX market and Centre Point, please visit the ASX website at http://www.asx.com.au/

A.3    Chi-X market (**"Chi-X market"**)

The Chi-X market offers trading in specified ASX listed Equity Market Products or CGS Depository Interests[19].  Chi-X operates during the trading day in a number of trading phases, with order matching only occurring in the CLOB on a continuous trading basis during the continuous trading phase[20].  Orders on the Chi-X market CLOB are predominantly pre-trade transparent[21].  For further information about the Chi-X market, please visit the Chi-X website at http://www.chi-x.com/australia/

A.4    Deutsche's SuperX Dark Pool system (**"Deutsche's SuperX"**)

This is Deutsche Securities internal order book that will allow orders (our own, those of our related bodies corporate and our clients' orders) to be maintained[22] and matched in the order book[23], with any transactions arising being reported to the ASX market or Chi-X market.  Deutsche's SuperX will operate on a continuous trading basis but only at the same time at as continuous trading occurs on the ASX and Chi-X market.

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[16]  The ASX market does permit limited non pre trade transparent order types, for instance undisclosed orders and iceberg orders.

[17]  Trade reporting is permitted in other Session States.

[18]  Deutsche Securities relies on Participant Preferencing in Centre Point.  This means that Deutsche Securities incoming Centre Point order types will be first matched with other eligible resting orders maintained by Deutsche Securities in Centre Point.

[19]  The list of specific Equity Market Products available for trading and trade reporting on Chi-X market are on the Chi-X website: http://www.chi-x.com/australia/.  As at the date of this disclosure, no CGS Depository Interests are available for trading on Chi-X market.  Chi-X may however, make CGS Depository Interests available for trading on Chi-X market at some time in the future.  If this occurs, we would expect details of the relevant CGS Depository Interests to be included in the published list of products available for trading and trade reporting on the Chi-X Market.

[20]  Trade reporting is permitted in other trading phases.

[21]  The Chi-X market does allow some for some limited non pre trade transparent order types.

[22]  If required by our client or in our efforts to obtain the best outcome for our client.

[23]  Provided Deutsche Securities is permitted to transact any such order without entering the order for matching on a pre-trade transparent order book such as the ASX market and Chi-X market.  That is, subject to the Block Trade; Trade with Price Improvement (which has replaced the previously available At or Within the Spread exception); and any other relevant exception.

## Annexure B – orders and order routing

The following seeks to explain some of our execution methodology and the principles we apply when we receive, manage and execute your orders.

B.1    How your instructions are received can impact the management and execution of your orders

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|---|---|
| DEA instructions | Instructions received electronically via DEA (including the sending of orders electronically to our automated algorithmic trading system) generally only require us to employ systematic rather than human intervention, when sending an order to an electronic order book. Where you choose to execute an order via DEA, you should select the parameters of execution you specifically require: for instance, the type of order (or amendment); volume; price; execution venue; and timing for execution. |
| | Subject to any intervention by our SORs or automated execution algorithms and their respective execution logic, Deutsche Securities will execute your orders (and amendments) electronically in accordance with any such instructions. |
| Non DEA instructions | Our representatives may receive instructions from you in various ways that require them to be involved in the execution of your order or the sending of orders to an order book.  Subject to your instructions, our representatives may also have to exercise discretion (and therefore make decisions) about the best way to execute your order.  This may involve the sending of orders on your behalf to an order book (via our SORs) or to an execution algorithm. We may also seek to execute your orders in whole or in part by negotiating for the other side of the transaction with our facilitation traders and/or other clients. |
| Standing instructions | Instructions we receive as standing instruction may require us to execute orders under these instructions unless further instructions are provided that change these requirements. |

B.2    Liquidity and price characteristics of accessible order books

The primary determinant of order book execution is market liquidity at various price points.  Given that order book liquidity varies from time-to-time and from order book to order book, execution outcomes or performance will be dictated to by an order book's liquidity characteristics.  With the introduction of market competition, it will be necessary for us to profile order book liquidity over time as the local market changes and continues to develop.  We will seek to take this variability into account when executing your orders.  For instance, we expect the Chi-X market's liquidity characteristics to continue to change over time, and may adjust our execution approach in accordance with changes in the Chi-X market's liquidity profile.

B.3    Execution algorithms and order management

You may direct your orders to our automated execution algorithms for execution.  If you do so your execution outcome is dependent on our execution algorithms logic and performance.  Our representatives may also direct your orders to an execution algorithm when seeking to execute upon your instructions for reasons which include the following:

· you are targeting a specific execution benchmark and we believe it is more practicable and likely to result in better execution should an automated execution algorithm manage and execute your order; and
· it is not practical for our representatives to perform order-by-order due diligence for example when orders are relatively small but still subject to execution discretion (as to timing and price).

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Current as from  July 2018 - Page 8

Our automated execution algorithms will manage the entry, amendment and cancellation of orders in an ongoing way; that is our execution algorithms will create and enter, amend and cancel orders automatically in accordance with any instructions received, relevant market information and our statistical modelling, in order to effect execution.

## B.4    SORs and order management

Our SORs will electronically receive, process and route orders to accessible order books[24] in order to bring about order execution, including orders being managed by our execution algorithms. Our SORs will treat aggressive[25] and passive orders differently because aggressive orders will generally (at least when received by the SOR) result in trade execution either in part or in full in available non pre-trade transparent order books[26] or in a pre-trade transparent order book. Passive orders[27] when received however are not expected to result in trade execution in part or in full and will therefore be rested on a pre-trade transparent order book, which unless otherwise required, will be the pre-trade transparent order book we consider offers the highest probability of order execution given the relevant order books' liquidity characteristics and profile[28].

Subject to your order routing connectivity, your instructions and any execution discretion afforded to us:

- we will direct any orders received by you prior to both the ASX market and the Chi-X market operating on a continuous trading basis, to the ASX market, which means that your order may participate in the opening single price auction if eligible;

- similarly, when the open session state of the ASX market ends, any new orders requiring execution or completion before the close of the ASX market or Chi-X market will be directed to the ASX market to participate in the closing single price auction (**"CSPA"**) if eligible;

- orders routed to the Chi-X market, Centre Point and Deutsche's SuperX will be "day-only" orders, whereas orders routed to the ASX market can remain in the order book beyond the trading day on which the order was entered[29]; and

- any orders received after the ASX market's CSPA will not be directed to the Chi-X market unless you specifically instruct us to send your order to the Chi-X market.

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[24] All orders will be routed via our SORs unless you have arranged with us to have DEA order routing connectivity to a specific order book.

[25] An aggressive order is an order that when routed is:

- for an order to buy Equity Market Products or CGS Depository Interests, a bid priced at or above the Best Available Offer (which is defined in the ASIC Market Integrity Rules as the highest Pre-Trade Transparent Offer, for Equity Market Products or CGS Depository Interests available across all order books (Chi-X's or ASX's) at the time);

- for an order to sell Equity Market Products or CGS Depository Interests, an offer priced at or below the Best Available Bid (which is defined in the ASIC Market Integrity Rules as the lowest Pre-Trade Transparent Bid , for Equity Market Products or CGS Depository Interests available across all order books (Chi-X's or ASX's) at the time); and

- an order that results in the execution of a transaction (including where any unexecuted balance of the order may become or becomes a resting order).

[26] Provided Deutsche Securities is permitted to transact in this way in accordance with an exception from entering an order on a pre-trade transparent order book under the ASIC Market Integrity Rules.

[27] A passive order is an order that when routed is:

- for an order to buy Equity Market Products or CGS Depository Interests, a bid priced at or below the Best Available Bid;

- to sell Equity Market Products or CGS Depository Interests, an offer priced at or above the Best Available Offer; and

- as a result, is an order that is at or outside the NBBO and is therefore a resting order, that is, it is an order that will be sent to and rest on a pre-trade transparent order book that we consider offers the highest probability of order execution given the relevant markets' liquidity profile.

[28] Our SORs do not independently manage orders once an order has been rested on an order book.

[29] DEA orders are generally treated as day-only orders, but can be 'good until cancelled' in some cases.