

DISCLOSURE REGARDING ANZ'S ROLE
IN THE WHOLESALE FIXED INCOME,
CURRENCY AND COMMODITIES (FICC)
MARKETS

February 2021

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FEBRUARY 2021

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PURPOSE OF THIS NOTICE

Australia and New Zealand Banking Group Limited, a company incorporated in Australia, acting through its various branches and affiliates (**ANZ**) operates as a dealer and market maker undertaking and providing a wide range of financial services and products to counterparties in the wholesale fixed income, currency and commodities (**FICC**) markets.

The purpose of this notice is to provide clarity on the nature of ANZ's trading relationship with you when undertaking transactions in the wholesale FICC markets. This notice also explains:

- how we will transact with and communicate with you including in relation to requests for quotes or prices, placement of orders and all other expressions of interests that may lead to the execution of transactions;
- how we manage potential or actual conflicts of interest when undertaking trading and market making activities;
- our pricing and how we determine mark-up;
- our automated trading channels including our last look practices;
- our practices regarding benchmark orders;
- issues you should be aware of relating to interest rate benchmark transition; and
- how we handle confidential and other information.

The nature of obligations owed to you may vary depending on the products ANZ trades with you, the precise nature of your relationship with ANZ and the jurisdiction(s) in which the relationship is maintained. However, when you enter into transactions with ANZ in the wholesale FICC markets it will be on the terms contained within any trading documentation we have entered into with you, any ANZ terms of business we have provided to you and, except to the extent expressly agreed with you, on the terms disclosed in this notice. By giving you this notice, we do not intend to exclude or over-ride any mandatory obligations that ANZ may owe to counterparties under any applicable law or regulation.

ANZ is committed to acting with the highest levels of integrity and professionalism in its role as a dealer and market maker in the wholesale FICC markets. ANZ maintains policies and procedures to provide confidential channels for personnel and external parties to raise concerns about potentially improper practices and behaviours and ANZ investigates and responds to such reports as appropriate. If you wish to raise a concern or have questions after reading this notice or in relation to our dealings with you, we

encourage you to contact your senior ANZ representative.

NATURE OF OUR TRADING RELATIONSHIP

Dealing as Principal

Unless ANZ otherwise agrees or notifies you before entering a transaction, ANZ will only participate in the wholesale FICC markets and undertake transactions in a principal capacity, including where you act as agent for another principal. Acting in a principal capacity means that we act on an arm's-length basis, for our own account. We do not act as your broker, agent, fiduciary, advisor or in any other similar capacity. As such, we do not undertake any of the duties that an entity acting in those capacities would ordinarily perform.

No recommendations or advice

Any statement made or views expressed by ANZ should not be construed as recommendations or advice. You are expected to independently evaluate the appropriateness of any transaction or strategy based on your own objectives and circumstances as well as your own assessment of the merits of the transaction or strategy. Where appropriate, you should seek your own independent financial or legal advice before entering into a transaction with ANZ or executing a strategy.

Authority to trade

When ANZ transacts with you, we rely on the apparent authority of your employees, representatives, advisers and agents who communicate with us on your behalf.

TRANSACTING WITH YOU

Placing orders

A counterparty may submit a request, or instruction to enter into a transaction with ANZ (an **order**) in response to a specific quoted price or, alternatively, a counterparty may submit an order with terms that permit ANZ to exercise its discretion as to the price, time or size at which ANZ agrees to enter into the transaction. Counterparties may choose to attach parameters to their orders for example, 'at-best' orders, 'limit/leave' orders, 'stop loss' orders and 'benchmark' orders.

Acceptance and execution of orders

Receipt of an order or an indication by ANZ that it will work or is working an order does not commit ANZ to accept or act upon any part or all of the order in any particular way. ANZ is not obliged to accept an order. In accepting your order or by indicating that we will work your order ANZ is indicating its willingness to attempt to enter into a transaction with you within the

parameters requested by you. Regardless of the parameters or conditions attached to your order, in all case ANZ will attempt, but is not committed to execute a transaction at or near the requested price and/or quantity. No transaction or contract results from an order until we tell you that we have filled or executed against some or all of the order, at which point you assume the risks associated with the filled or executed order.

ANZ is not under any obligation to execute any orders at any given levels because other institutions have done so or based on any third party's reference to the market.

Unless otherwise expressly agreed or otherwise expressly provided for under local laws, ANZ will exercise its discretion in deciding which orders it will be willing to accept and execute, when it will be willing to accept and execute them, and how it will execute them, including whether to execute all or part of the order and with respect to how to satisfy its counterparties' orders, including order execution, aggregation, priority and pricing. A number of factors will be taken into consideration by ANZ when exercising its discretion to accept and execute an order, including the prevailing market conditions, ANZ's own risk appetite and its trading strategy. In executing your order, ANZ may fill your order from its own inventory or look for market opportunities that satisfy both your order, competing orders from other counterparties and its own competing trading interests. Orders for FICC products will be executed by ANZ promptly and in a fair and expeditious manner, relative to other client orders or the trading interests of ANZ. Except for Spot FX and orders to execute against a benchmark, comparable orders for FICC products will be executed in accordance with the time of their receipt by ANZ. This means there is risk of your order not being filled in whole or part if comparable orders are received prior to your order. Comparable orders for Spot FX are managed for market execution on an aggregated basis. This means that there is risk of your Spot FX order not being filled in full even where your order is placed ahead of other comparable orders.

ANZ may choose to fill an order manually or, if appropriate for the transaction, via algorithms, internalization engines or any other electronic execution channels which apply a predetermined methodology. A counterparty may also request ANZ to execute an order by a specified execution method that is available and appropriate for its needs or circumstances. The use of a specific execution method does not guarantee any particular outcome or execution of any orders, and its result may depend on the validity of the assumptions and the prevailing market conditions. ANZ is not responsible for any choices a counterparty may make in selecting the execution method for its order.

ANZ may refuse to accept any order, which ANZ believes to be inappropriate or which, in ANZ's

opinion, carries excessive risk or is otherwise intended or has the ability to disrupt the market.

ANZ may return to you an accepted order at any time if it is unable to execute your order in whole or in part without stating the reasons. ANZ is committed to providing its counterparties with transparency regarding their orders and transactions and makes information available to its counterparties in accordance with any applicable local terms of business.

Pre-hedging and pre-trade positioning

Following receipt of an order or an indication of interest from you that is likely to result in a transaction, ANZ may use that information to engage in pre-hedging and hedging activities to manage its risk in connection with and to facilitate your transaction. ANZ exercises its discretion in determining how, when and where to pre-hedge or hedge and in doing so may take into account both internal and external sources of liquidity. When ANZ undertakes pre-hedging or hedging activities, it will do so in a manner that is not intended to be detrimental to your order or disrupt the market.

Any transactions entered into by ANZ with a view to facilitating your transaction or request will be entered into as principal, could be at different prices from the price of the transactions that ANZ executes with you, may affect the market price of or liquidity for the product(s) you are buying and/or selling and may result in profit or loss to ANZ.

ANZ'S TRADING AND MARKET MAKING ACTIVITIES

ANZ acts as a 'market maker' in various FICC markets meaning that it offers prices in a variety of currencies, assets or rates on a regular basis, providing liquidity in and for transactions and financial instruments. As a market maker, ANZ manages a portfolio of positions for multiple counterparties' competing interests, as well as for ANZ's own interests. ANZ may, in addition to acting as a dealer or market maker, trade for its own account.

In carrying out its trading and market making activities:

- ANZ may trade prior to or alongside your transaction or another counterparty's transaction or may modify and/or terminate positions or otherwise take action for its own account to facilitate executions with other counterparties, to manage risk, to source liquidity or for other reasons; and
- ANZ may be trading in the same or related transactions, financial instruments, commodities, products, rates or currencies or establishing derivatives positions for its own account

that are the same, similar or opposite to the positions of its counterparty.

It follows that ANZ's own transactions may or may not be related to any particular counterparty order. Generally ANZ is not required to disclose that it is handling other counterparties' orders or its own trading or market making trades ahead of, at the same time as, or in the case of Spot FX or orders to execute against a benchmark on an aggregated basis with, your order. ANZ has arrangements in place to manage potential conflicts of interest that might arise as a result of the receipt of information by ANZ through its trading or market making activities.

ANZ's pre-hedging or pre-positioning and other trading and market making activities can have an impact on the prices ANZ is able to offer you and other counterparties on a transaction and the liquidity available to execute both your order and other counterparties' orders. ANZ's trading and market making activities can also affect the levels at which a benchmark or reference price or rate is set, which can result in triggering stop loss orders, barriers, knock-outs, knock-ins and similar conditions. In conducting trading and market making activities, ANZ will always endeavour to avoid undue market impact.

These activities might affect market prices or liquidity in ways that are adverse to the interests of our counterparties. ANZ has in place policies and procedures reasonably designed to ensure its trading and market-making activities are conducted in a manner that would not disadvantage its counterparties.

ALL-IN PRICING, INCLUDING MARK-UP

Unless otherwise expressly agreed, any firm or indicative price you receive from ANZ is an "all-in" price, which is inclusive of any mark-up. Mark-up is the charge or spread (or sales margin) that may be included in the price of a transaction to compensate ANZ for certain risks taken, certain costs incurred and the services provided.

The all-in price you receive from ANZ takes into account:

- the price of the financial instrument including any bid-offer spread;
- costs related to execution of the transaction including venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the transaction (**execution costs**); and
- sales mark-up.

The mark-up included in ANZ's all-in price is tailored to individual counterparties and is determined based on a broad range of standard commercial factors, including but not limited to:

- (i) product type and market characteristics, such as size of the transaction, the type

of order, trading venues, and market conditions such as liquidity and volatility;

- (ii) ANZ's own internal costs such as hedging costs, transaction costs, funding costs, capital costs and overheads;
- (iii) ANZ's relationship with the counterparty, including the nature and extent of services previously provided or anticipated, and the credit worthiness of the counterparty; and
- (iv) ANZ strategy and return considerations.

As a result, ANZ has discretion to offer different prices to different counterparties for the same or substantially similar transactions, may provide different price quotations by trading platform, venue or communication method and may change any of its pricing strategies at any time without notice. Pricing will not however be differentiated, in and of itself, on the basis of client sophistication.

Mark up will increase the price you pay for a transaction. For certain types of orders, such as limit orders, stop loss orders or at best orders, the addition of mark-up may delay or prevent the execution of your order or may impact the final price at which your order is filled or the quantity of your order that is filled at the price you requested.

Subject as provided below, ANZ is not generally required to disclose the amount of revenue it is expected to earn from a transaction nor is ANZ required to disclose components of its all-in price for a particular transaction (including any specific amount of mark-up). Where ANZ is expressly required under local laws to make any such disclosures, it will do so in accordance with those local laws.

By disclosing a price to you, ANZ is not implying that it held, acquired, or would acquire, inventory to complete the transaction at the specified price level or that there exists a tradable market at that specified price level. ANZ may look for market opportunities that allow it to execute an order at your desired price and also earn a reasonable return for that activity, including addition of mark-up and execution costs. ANZ may also benefit from reduced transaction costs when executing an order through certain internal or external trading venues.

ANZ has policies, procedures and guidelines in place requiring that the mark-up charged to counterparties is appropriate, fair and reasonable considering applicable market conditions and ANZ's internal risk management practices and policies. ANZ personnel are required to act honestly, fairly and professionally when determining mark-up.

OUR AUTOMATED TRADING CHANNELS

Automated trading channels

ANZ provides indicative pricing for transactions in the FICC markets via automated channels including ANZ's Direct API and various third party multi-dealer platforms. This notice supplements any specific access terms you have agreed with ANZ relating to our automated channels.

When an order is submitted through an automated channel in response to ANZ's indicative pricing, ANZ may accept or reject the order at its sole discretion based on a number of automatically applied pre-trade checks and controls, including credit checks, internal risk limits and price deviation. In these circumstances, if ANZ rejects an order, it may provide an alternative price that the counterparty may then accept or reject (this process, as described in more detail below, is otherwise known as **last look**).

Last look is a standardised verification and risk control mechanism for electronic pricing. It is used by ANZ to verify the validity and/or price of an order and provides ANZ with an opportunity to accept or reject the order made against its quoted price. The validity check is intended to confirm that the transaction details contained in the order are appropriate from an operational perspective and the counterparty has sufficient available credit to enter into the transaction. The price check is intended to identify whether orders are made at prices that are consistent with current prices and are within ANZ's price tolerance for execution. This control may be applied immediately upon receipt of a submitted order or after a brief time delay. In each case, the refreshed price is compared to the order price and if the price has not moved in either direction by more than the defined price tolerance, ANZ will accept the order. If the refreshed price differs from the order price by more than the defined price tolerance, ANZ will reject the order. The assessment is made immediately, or in some cases, after a short time delay, and is applied symmetrically, which means that the rejection logic is applied for price movements in either direction and both parties to a transaction are protected from trading on non-current prices to the same degree.

ANZ will not conduct any trading activity, including pre-hedging, during the last look window which utilises information ascertained from counterparties' orders and will not use last look for the purpose of information gathering with no intention to accept the counterparty's order. Information about how a counterparty's order has been handled will be available on request.

The purpose of last look is primarily to reduce the risk of trading on a stale price due to latency and technology constraints, to protect ANZ against certain trading behaviour such as aggregation,

order splitting or previous quote selection, and as a risk control mechanism. By mitigating these risks, ANZ can offer tighter electronically streamed prices than would otherwise be the case.

Where orders are received by ANZ through its automated channels, ANZ's system will record the date and approximate time of receipt of the order and the time of execution. Comparable orders that ANZ receives from counterparties through its automated channels are executed on the same basis as described under "Acceptance and Execution of Orders" above.

Algorithmic trading

For certain transactions you may be able to instruct ANZ to execute an order via one of its internal execution algorithms. Counterparties who wish to place such orders will be required to agree to the specific terms on which access to ANZ's algorithms is granted. This notice will supplement any specific Algorithm terms.

ORDERS RELATING TO BENCHMARK PRICES AT SPECIFIED FIXING TIMES

You may submit an order for execution against a benchmark. Benchmark prices are determined by third parties unaffiliated with ANZ. Transaction based benchmarks are determined from actual transaction information in the relevant market for the specified rate, asset or currency pair (as applicable) during a defined time period immediately before and after the relevant time of day (commonly referred to as the **fixing window**). Contribution based benchmarks are determined from estimates of market rates or prices contributed by a number of appointed participants. ANZ may be one of the participants appointed to contribute to some benchmark prices.

Orders for execution against a benchmark are aggregated for execution by ANZ. When ANZ executes your order against a benchmark, ANZ will be entering into the transaction as principal and commits to executing the request at the relevant rate of a yet unknown price prior to the actual fixing of the relevant rate, which is determined after the completion of the fixing window. The price you receive back from ANZ will be an all-in price or rate that includes the relevant benchmark rate plus a mark-up.

The acceptance and execution by ANZ of benchmark orders creates additional risks to ANZ which ANZ may manage by engaging in hedging activities prior to, during and post the fixing window. These hedging activities potentially impact the relevant benchmark rate.

The accumulation of benchmark orders together with activities of other market participants may lead to a concentration of substantial volume of transactions for execution against a certain benchmark, and this may impact market liquidity and, therefore, the benchmark rate.

ANZ may also engage in other transactions in the ordinary course of its business that are unrelated to benchmark prices, including market making activities, sourcing liquidity, hedging or mitigating exposure prior to execution of counterparties' orders. These activities may require execution of transactions during the fixing window, or at other times that may impact transactions relating to a benchmark price.

The use of reference prices in benchmark transactions potentially creates conflicts of interest between ANZ and its counterparties as described in the paragraphs above. ANZ has arrangements in place to manage the potential conflicts of interest that may arise from ANZ's participation in benchmark activities.

Orders relating to a benchmark are an example of a reference price transaction. Please also take note of the disclosures under "Reference Price Transactions" below.

REFERENCE PRICE TRANSACTIONS

You may request that ANZ execute a transaction with you against a reference price. This involves agreeing all terms of a transaction except the price, which is set later based on observation of a reference price.

If ANZ agrees to enter into a reference price transaction with you, our activity as a submitter or contributor to the reference price or our pre-hedging and hedging activity in respect of transactions ahead of or around the fixing time of the reference price may adversely impact the level of the reference price.

While entering into a reference price transaction allows you to remove the uncertainty over the difference between the reference price and the execution price for the transaction, you bear the risk that market activity following entry into the reference price transaction (including any hedging activity prior to, during and post the reference time) could result in an adverse price movement for you before the reference time.

In executing reference price transactions with counterparties in the fixed income wholesale market, ANZ observes the core principles in the Standard on Reference Price Transactions published by the FICC Markets Standards Board (**FMSB**), available from [FMSB's website](#).

INTEREST RATE BENCHMARK TRANSITION

Certain existing interest rate benchmarks including the LIBOR (for US dollars, British pounds sterling, Swiss francs and euro), SGD SOR, THB THBFX, EUR EURIBOR, JPY TIBOR, JPY Euroyen TIBOR, AUD BBSW, HKD HIBOR and CAD CDOR (each, an **IBOR**), are subject to ongoing international reform proposals. As a result of the proposed reforms, some IBORs may disappear and others may not perform the way that they currently do.

Alternative reference rates (**ARRs**) have been selected by financial regulatory authorities and public and private sector working groups to replace the impacted IBORs, but there remains uncertainty as to when the various ARR will be available, how they will be calculated and how their use will impact financial products, transactions and services. The extent of the impact will depend on a range of factors such as the IBOR referenced, the fall-backs (if any) in the product, the date by when the changes will take effect and the nature of the product, transaction or service.

If any of your financial products, transactions or services with ANZ reference an IBOR rate, the proposed reforms may mean that:

- there are negative impacts on your financial products, transactions or services and they may no longer be fit for their intended purpose;
- there is a significant impact on the economics and structure of your financial product, transaction or service (including a potential economic value transfer, changes in price and/or liquidity, the timing and amount of payments and your ability to exercise certain rights);
- new fall-back provisions and ARR need to be agreed and implemented, resulting in a change to the pricing, structure or operation of your financial product, transaction or service;
- a transition from an IBOR-based arrangement to an ARR-based arrangement does not result in an economically equivalent arrangement, even with a credit spread adjustment;
- your existing contractual arrangements with us may need to be amended or replaced; and/or
- there are other unforeseen significant consequences.

You are encouraged to seek independent accounting, legal, regulatory, systems, tax or other advice as to the potential risks and impact that the proposed IBOR reforms may have on your financial products, transactions and services with us.

CONFIDENTIALITY AND INFORMATION HANDLING

ANZ takes protection of counterparty information very seriously and has in place policies, procedures and controls designed to protect counterparties' confidential information.

Counterparty and trading information

ANZ will not disclose counterparties' confidential information except to those internal or external parties who have a valid reason for receiving such information. In doing so ANZ will comply with all applicable laws and regulations as well as

any agreed restrictions that may limit the disclosure.

ANZ may disclose counterparties' information (including confidential information) externally in certain circumstances which may include disclosure:

- to agents, market intermediaries (such as brokers or trading platforms) or other market participants to the extent necessary for executing, processing, clearing, novating, or settling a transaction;
- with the consent of, or at the request of, the counterparty;
- where it is required to be publicly disclosed under relevant law, rule or regulations, or as otherwise legally required by a relevant regulatory or public authority, trade repository or central counterparty;
- at the request of a central bank acting for public policy purposes; and
- to advisors or consultants on the condition that they protect the confidential information in the same manner as ANZ does.

ANZ may disclose counterparty information (including confidential information) internally between its branches, its affiliates and service providers globally, but will only do so to those entities and individuals who have a valid reason for receiving such information. Counterparties should be aware that:

- ANZ's sales, trading, debt syndicate and relationship management staff may consult with respect to a counterparty's interests, trading behaviour, expectations, mark-up, spread, and any other relevant factors, on a "need-to-know" basis;
- ANZ may extract, analyse and use appropriately anonymised and aggregated information regarding trade requests, orders or executed transactions, for purposes of ANZ's research services;
- ANZ may use the economic terms of a transaction in order to source liquidity and manage risk; and
- ANZ may extract, analyse and use information about counterparties' executed transactions on an individual and aggregate basis for a variety of internal purposes, including assessing the impact on the market, assessing profitability of potential and executed transactions, assessing market or counterparty interest in a potential transaction or issuance, counterparty risk management, sales coverage and counterparty relationship management.

Market colour

ANZ may also analyse, comment on, and disclose appropriately anonymised and aggregated information regarding trade requests, orders or executed transactions, together with other relevant market information, internally and to third parties as "market colour".

Telephone recording

Communications between you and ANZ staff (including to and from ANZ staff landlines and mobile telephones) may be recorded for various purposes including to retain evidence of proposed transactions and so that ANZ can monitor compliance by its staff with ANZ policies.

ABOUT THIS NOTICE

This notice replaces any earlier issued "Disclosure Regarding ANZ's Role in the Wholesale Fixed Income, Currency and Commodities Market", "Disclosure Regarding ANZ's Role in the Wholesale FX Market", "Disclosure Regarding ANZ's Role in the Wholesale Fixed Income, Market" and "Disclosure Regarding ANZ's Role in the Wholesale Commodities Market".

This notice supplements any other bilateral agreements regarding transactions in the wholesale FICC markets that ANZ has entered into with you, including any master agreement or terms and conditions for financial instruments entered into between us and any applicable terms of business which apply to business conducted between you and ANZ.

This communication is available at <https://institutional.anz.com/about-anz-institutional/disclosures> (**Disclosure Page**) and may be updated from time to time to address changing regulatory, industry and any other applicable developments. Please check the [Disclosure Page](#) to ensure you have the latest version.

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This notice is dated 17th February 2021.

