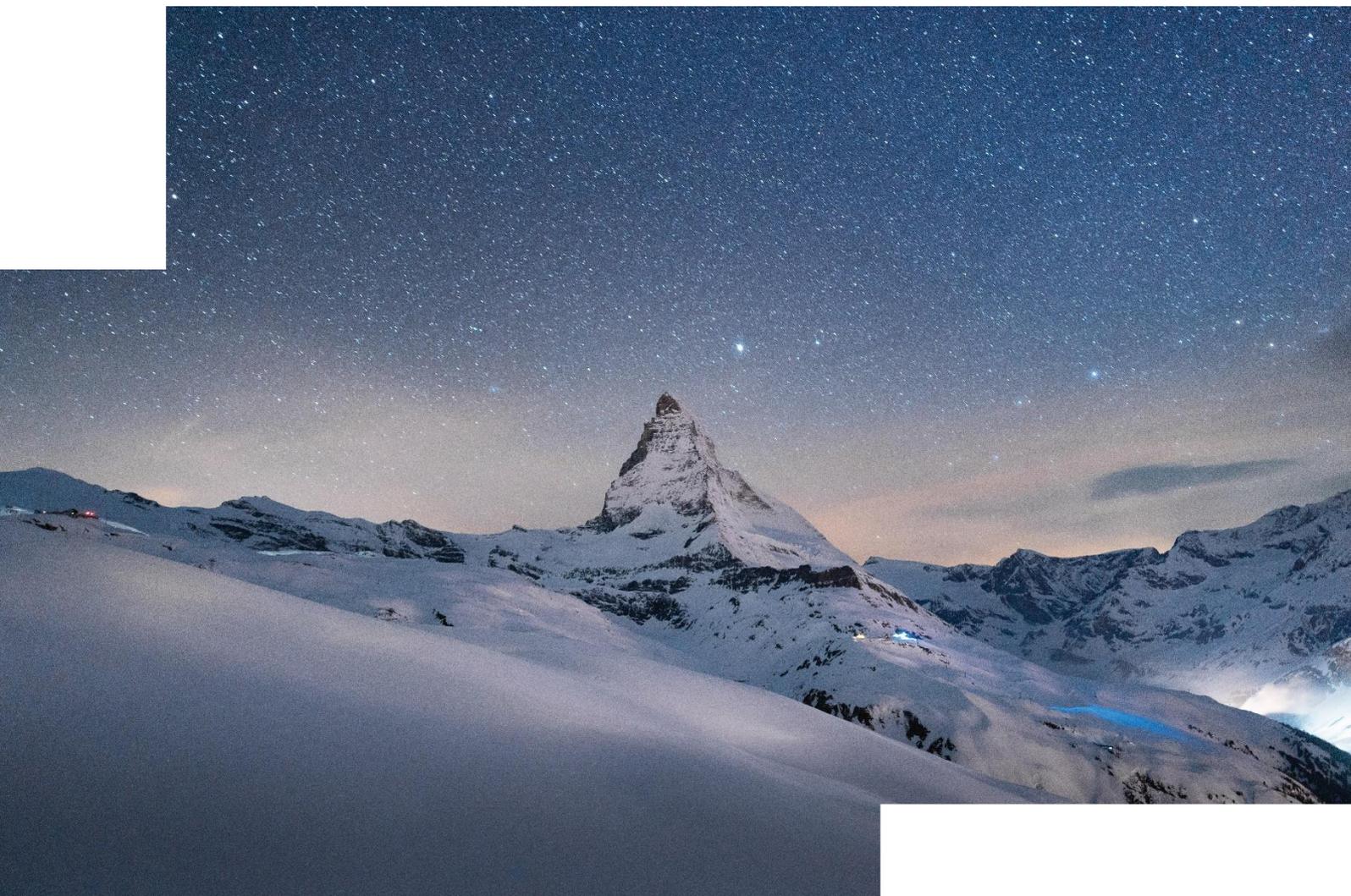


# APAC Equities Best Execution Guideline



# APAC Equities

## Best Execution Guideline

Q1 2019

### 1. Introduction

While Credit Suisse has always strived to achieve the best result possible for you when executing your orders, a number of regulators across the Asia Pacific region have now formalised this obligation through regulation.

In some cases, these obligations require us to document an order execution policy (the 'Policy') that sets out how Credit Suisse will aim to deliver Best Execution and also require Credit Suisse to provide appropriate information to you about the Policy and our order execution procedures (this 'guideline' or 'Disclosure Statement').

### 2. Scope

While a number of entities and business units within the Credit Suisse group have published disclosure statements related to the execution of Client Orders, including Best Execution<sup>1</sup>, this statement is only applicable to Credit Suisse's handling of your Equities<sup>2</sup> orders managed by Credit Suisse employees located in the APAC region<sup>3</sup>. Within this document, the terms Credit Suisse, we, or us refer to the APAC Equities business within the APAC Markets division of Credit Suisse. This guideline and the Policy are not applicable to clients who place their orders with Credit Suisse Private Bank or for orders executed in markets outside the Asia Pacific region.

Credit Suisse has determined that Best Execution is owed when we accept an order to execute a transaction on your behalf that gives rise to a contractual or agency obligation to you. Best Execution is also owed where we have expressly agreed to accept such obligations. In either case, or where both situations may occur together, the orders to which we owe such obligations will be defined as 'Client Orders'. This guideline does not give rise to any fiduciary obligation or duty to you and Credit Suisse does not undertake any such obligations or duties other than those provided as a result of specific regulations or as we have otherwise contractually agreed to accept.

In circumstances where Best Execution is not owed, for example facilitation trades or negotiated agency crosses, Credit Suisse will act honestly, fairly and professionally when executing your order.

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<sup>1</sup> See Annex Three 'Relevant Disclosures and Policies' for further details.

<sup>2</sup> Equities means a Cash Equity product listed on an exchange located in the APAC region, a Listed Derivative (Futures or Options) listed on an exchange located in the APAC region or a Delta 1 Swap linked to either a Cash Equity product or a Listed Derivative product listed on an exchange located in the APAC region. Clients who contract with Credit Suisse Equities (Australia) Ltd should refer to Annex 1 for the definition of products in scope for Best Execution.

<sup>3</sup> Client Orders for clients who contract with Credit Suisse Securities (Japan) Ltd ('CSJL') are governed by CSJL's Best Execution policy, available upon request.

### 3. Definition

Credit Suisse defines Best Execution as our obligation to establish processes, procedures and systems that allow us to achieve the best outcome for our clients when executing their Client Orders. We consider a number of factors when determining if the best outcome has been achieved for our Institutional clients. In assessing if we have achieved the best outcome we may not consider the execution price alone, or consider the execution price to the exclusion of other factors.

The outcome achieved for your Client Orders will be subject to, and take into account, the characteristics of your Client Order, the priorities you have highlighted to us when placing the order, and the nature and practice of the markets in which the financial instrument is traded.

In order to achieve the best outcome, we will take into consideration a range of factors when executing your Client Order. Depending on the financial instrument traded, these may include, but are not limited to:

- Your objectives (if known by Credit Suisse)
- Price limits set by you
- The size and nature of the Client Order
- Liquidity displayed on available execution venues
- Anticipated liquidity on dark venues
- Likely impact executing the Client Order will have on market liquidity
- Likely speed of execution
- Likelihood of execution or any other relevant outcome
- The trading phase of the listing or primary market
- Any combination of the above.

Best Execution does not mean that Credit Suisse guarantees to obtain the best price on each market fill or execution<sup>4</sup>.

### 4. Order Handling

The factors listed above may be taken into consideration and applied by Credit Suisse when handling your Client Orders manually. Under normal operating conditions where Credit Suisse is a member of the execution venue, we will generally make use of our extensive network of affiliates to execute your Client Orders. Where we do not have direct access to the relevant exchanges or execution venues, or when otherwise required, we may use third parties to execute your Client Orders. These third parties will be regularly assessed to ensure they contribute to our ability to achieve the best outcome for your Client Orders.

In certain markets where multiple execution venues are available, your Client Order may be processed by Pathfinder<sup>5</sup>, Credit Suisse's Smart Order Routing system. Pathfinder's aim is to determine the most appropriate execution venue for each order (either in whole or in part) by assessing the available markets across a number of factors, including but not limited to those listed above. The parameters used by Pathfinder include both real-time market information as well as historic and qualitative Credit Suisse data.

Market conditions will affect which factors take priority at the time of execution. For example, there may be circumstances where liquidity and the expected likelihood of execution will take priority over price. Credit Suisse monitors and reviews these factors as part of its ongoing internal process to ensure we achieve the best outcome.

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<sup>4</sup> Best Execution is applicable only to the full order (parent order) and not the different components (child order).

<sup>5</sup> Clients must authorize Credit Suisse Securities (Japan) Limited to enable Client Orders to be processed by Pathfinder for Japan cash equities products.

## 5. Client Orders via High Touch Desks

In the absence of a request to provide quotes, negotiate a price or act on specific client instructions, the Credit Suisse sales trading desk will focus on achieving the outcome agreed with you. This will be achieved by working your Client Order through Credit Suisse's execution channels, taking into account factors such as:

- The size and nature of the order
- Any specific instructions you have provided
- Your trading history
- Current market conditions.

## 6. Electronic Execution (DMA<sup>6</sup> and Advanced Execution Services<sup>®</sup>)

Orders executed using the AES<sup>®</sup> will be executed within the restricted set of parameters defined by your chosen strategy.

If you place a Client Order on a DMA basis, the factors we take into consideration will be limited to ensuring the Client Order is appropriate and the speed with which we can send your Client Order to the market.

Where applicable, and in the absence of an instruction to execute on a specific market, Client Orders may be directed to Pathfinder. Pathfinder will send your Client Orders for execution across available execution venues using some or all of the factors referred to in this guideline.

## 7. Limitations

Any parameters or specific instructions you include when placing your Client Order may impact the outcome achieved. These instructions may include, but are not limited to:

- Volume limits
- Price limits
- Venue instructions
- The choice of AES<sup>®</sup> strategy

## 8. Specific and Standing Instructions

In the absence of express instructions from you, we will exercise our discretion in determining the factors we need to take into account for the purpose of achieving the best outcome, having regard to the factors listed above. To the extent that you provide Credit Suisse with a specific instruction in relation to your Client Order, or any aspect or part of your Client Order, in following your instruction we will continue to take all sufficient steps to obtain the best outcome.

If you require your Client Order to be executed in a specific manner, you must clearly state your desired method of execution when you place your Client Order with Credit Suisse. Subject to material changes in market conditions, Credit Suisse will endeavour to execute your Client Order in line with those instructions. You should be aware that your instructions may impact the execution of your Client Order and will limit our obligations to the components of your order where we retain discretion to act.

Instructions can be provided to Credit Suisse subject to the following requirements<sup>7</sup>. They must be:

- Clear and unambiguous; and,
- Provided either in writing or verbally. 'In writing' includes both printed and electronic form, including via email.

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<sup>6</sup> 'DMA' means Direct Market Access.

<sup>7</sup> Wholesale clients of Credit Suisse (Equities) Australia Ltd are permitted to provide general or standing instructions that cover all Client Orders placed with Credit Suisse provided they meet the minimum criteria identified above. Please note that standing instructions are valid for a 12 month period only, after which time Credit Suisse will require you to reconfirm your instruction.

## 9. Fees

While commissions paid to Credit Suisse are not considered a factor in assessing the outcome achieved for your Client Order, Credit Suisse will not structure or charge commissions in such a way as to inappropriately promote the execution of Client Orders on a particular venue.

## 10. Execution Venues and Other Matching Mechanisms

In certain markets, in executing your Client Order, Credit Suisse may use one or more of the execution venues listed in Annex Two during the continuous trading phase in that market's primary exchange.

Throughout the life of your Client Order, Credit Suisse will continue to look for opportunities to match flow in an attempt to reduce market impact. This may include the use of our crossing system Crossfinder<sup>8</sup>. Orders matched in Crossfinder will be reported to the most appropriate execution venue as determined by Credit Suisse at the point of execution.

## 11. Multiple Execution Venues

Where applicable, and in the event that Credit Suisse is unable to access the primary exchange, we reserve the right to cease execution of Client Orders. This decision may be made based upon factors such as:

- Available liquidity on alternative execution venues;
- The expected duration of the outage;
- The impact of the outage on other market participants;
- The cause of the outage; and,
- Credit Suisse's access to alternative markets.

In the event Credit Suisse is unable to access execution venues other than the primary exchange, Credit Suisse reserves the right to continue to execute Client Orders across all remaining available execution venues.

## 12. Order Execution Capacity

Credit Suisse operates through a number of legal entities that you may have a contractual relationship with. By placing an order with Credit Suisse, you will be deemed to have agreed to the following principles with respect to the capacity in which Credit Suisse may act. While Credit Suisse may generally act as your agent when executing your orders, the Credit Suisse entity with which you have a contractual relationship may act in a principal capacity, or that particular Credit Suisse entity may procure an affiliate to act in a principal capacity against your order in various situations, including but not limited to the following:

- Where you ask Credit Suisse for a guaranteed price based on a benchmark such as the closing price or volume weighted average price
- To complete your order that Credit Suisse has been unable to complete as agent
- Where the order is an odd lot
- To correct the average price of the execution where Credit Suisse has erred in the execution of your order
- When Credit Suisse is hedging a client's order, for example where it is hedging a swap or depository receipt conversion

In these circumstances where a Credit Suisse entity has acted in a principal capacity against your order and it is not market convention for a broker to act in a principal capacity, we will endeavour to notify you of this as soon as reasonably possible after the execution of your order. Subject to relevant regulatory requirement in certain jurisdictions, Credit Suisse may also obtain prior consent from you before execution of your order where Credit Suisse will act in principal capacity.

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<sup>8</sup> Further details are available in the Asia Pacific Crossfinder User Guidelines, please find the link to this document in Annex Three.

### **13. Review and Monitoring**

On an ongoing basis Credit Suisse monitors the effectiveness of our order execution arrangements and adapts them as appropriate. As part of this monitoring, Credit Suisse regularly assesses execution venues, together with our systems and procedures for their contribution to achieving the best outcome for Client Orders.

Credit Suisse is pleased to provide information relating to the outcomes we have achieved when executing your Client Orders. Requests should be made in writing and addressed to your designated sales representative.

You have the ability to opt out of Best Execution by contacting your sales representative in writing and stating your request to do so. Please note that opting out will be valid for a 12 month period only, after which time Credit Suisse will require you to reconfirm your instruction.

# Annex One

## Country Specific Disclosures

### Australia

#### ASIC Market Integrity Rules (Securities Markets) 2017

##### Equity Market Product:

As defined by The Rules, an Equities Market Product is:

- a) a share in a body;
- b) a financial product referred to in subparagraph 764A 1) b) i) or subparagraph 764A 1) ba) i) of the Corporations Act (2001);
- c) a right (whether existing or future and whether contingent or not) to acquire, by way of issue, the following under a rights issue:
  - i. a share covered by paragraph a); or
  - ii. a financial product covered by paragraph b); or
- d) a CHESS Depository Interest, admitted to quotation on the Listing Market.

Corporations Act 2001 – Sect 764A

- 1) Subject to Subdivision D, the following are financial products for the purposes of this Chapter:
  - a) a security;
  - b) any of the following in relation to a registered scheme:
    - i) an interest in the scheme;
    - ii) a legal or equitable right or interest in an interest covered by subparagraph (i);
    - iii) an option to acquire, by way of issue, an interest or right covered by subparagraph (i) or (ii);
  - ba) any of the following in relation to a managed investment scheme that is not a registered scheme, other than a scheme (whether or not operated in this jurisdiction) in relation to which none of paragraphs 601ED(1) (a), (b) and (c) are satisfied:
    - i) an interest in the scheme;
    - ii) a legal or equitable right or interest in an interest covered by subparagraph i)
    - iii) an option to acquire, by way of issue, an interest or right covered by subparagraph i) or ii)

**Listing Market** means the Financial Market operated by ASX.

**Listing Market Operator** means ASX

##### Pre-Trade Transparency Exceptions

Any Order that is executed under ASIC's Pre-Trade Transparency Exceptions will be executed taking into account factors including, but not limited to:

- Order size;
- Price;
- Potential market impact; or,
- A combination of each.

# Annex Two

## Trading Venues Accessed by Credit Suisse

### Equity Trading Venues

Country	Trading Venue	Venue Type
<b>Australia</b>		
	Crossfinder™	Cash Alternative
	ASX TradeMatch	Cash Primary
	ASX CentrePoint	Cash Primary
	Chi-X Australia	Cash Alternative
	Chi-X Dark	Cash Alternative
	ASX TradeMatch	Derivatives
	ASX24	Derivatives
<b>China</b>		
	HKEX Shenzhen Stock Connect	Cash Primary
	HKEX Shanghai Stock Connect	Cash Primary
<b>Hong Kong</b>		
	Crossfinder™	Cash Alternative
	Hong Kong Stock Exchange	Cash Primary
	SEHK Options Exchange	Derivatives
	Hong Kong Futures Exchange	Derivatives
<b>India</b>		
	Bombay Stock Exchange	Cash Primary
	Bombay Stock Exchange	Derivatives
	National Stock Exchange of India	Cash Primary
	National Stock Exchange of India	Derivatives
<b>Indonesia</b>		
	Indonesia Stock Exchange	Cash Primary
<b>Japan</b>		
	Crossfinder™	Cash Alternative
	Tokyo Stock Exchange	Cash Primary
	SBI Japannext	Cash Alternative

Country	Trading Venue	Venue Type
<b>Japan</b>		
	Chi-X Japan	Cash Alternative
	Kai-X (Chi-x Dark)	Cash Alternative
	Osaka Exchange	Derivatives
	Tokyo Financial Exchange	Derivatives
	Tokyo Commodity Exchange	Derivatives
<b>Korea</b>		
	Korea Exchange	Cash Primary
	Korean Futures Exchange	Derivatives
<b>Malaysia</b>		
	Bursa Malaysia	Cash Primary
	Bursa Malaysia	Derivatives
<b>New Zealand</b>		
	New Zealand Stock Exchange	Cash Primary
	New Zealand Futures & Options Exchange	Derivatives
<b>Philippines</b>		
	Philippine Stock Exchange	Cash Primary
<b>Singapore</b>		
	Singapore Exchange	Cash Primary
	Singapore Exchange	Derivatives
<b>Taiwan</b>		
	Taiwan Stock Exchange	Cash Primary
	Taiwan Futures Exchange	Derivatives
<b>Thailand</b>		
	The Stock Exchange of Thailand	Cash Primary
	Thailand Futures Exchange	Derivatives

# Annex Three

## Relevant Disclosures and Policies

The following links include a non-exhaustive list of policy and disclosure statements that may be relevant to your activity.

### **Customer Notices**

- [credit-suisse.com/us/en/investment-banking/financial-regulatory/customer-notices.html](https://credit-suisse.com/us/en/investment-banking/financial-regulatory/customer-notices.html)
- [credit-suisse.com/au/en/investment-banking-apac/apac-markets/equities/aep.html](https://credit-suisse.com/au/en/investment-banking-apac/apac-markets/equities/aep.html)
- [credit-suisse.com/jp/ja/legal/popup-cssjl-disclaimer.html](https://credit-suisse.com/jp/ja/legal/popup-cssjl-disclaimer.html)
- [credit-suisse.com/media/ib/docs/investment-banking/client-offering/crossfinder-user-guidelines-2018.pdf](https://credit-suisse.com/media/ib/docs/investment-banking/client-offering/crossfinder-user-guidelines-2018.pdf)

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