

**EUROZ SECURITIES LIMITED
BEST EXECUTION DISCLOSURE DOCUMENT – RETAIL
VERSION 3 AS AT 26 OCTOBER 2011**

1. Introduction

- 1.1 Euroz Securities Limited (“**Euroz**”) currently executes client orders on the trading platform operated by ASX Limited and which is known as ASX TradeMatch (“**TradeMatch**”). Commencing in November 2011, Euroz will also be able to execute client orders on a trading platform which will be operated by Chi-X Australia Pty Ltd (“**Chi-X**”) and will also be able to execute orders on a platform (also to be provided by ASX Limited) which will be known as PureMatch (“**PureMatch**”).
- 1.2 Trading on these platforms is, in part, governed by the ASIC Market Integrity Rules (Competition in Exchange Markets) 2011 (“**the Rules**”). Under Part 3.1 of the Rules, Euroz is under an obligation to handle and execute orders in accordance with the matters set out in Part 3.1 of the Rules (that is, it will be required to achieve the *best outcome* for its client). Insofar as is relevant, the fulfilment of this obligation will require Euroz to decide whether a client’s order should be executed on TradeMatch, PureMatch or on Chi-X.
- 1.3 The purpose of this document is to set out how Euroz proposes to achieve the best outcome with respect to orders placed by you.

2. Best outcome and the meaning of this concept

- 2.1 Under Rule 3.1.1(1), when handing and executing an order for a client, Euroz must take reasonable steps to obtain the best outcome for that client in accordance with the matters set out in Part 3.1 of the Rules.
- 2.2 This means that (unless you give us an instruction that may have a contrary effect) Euroz will execute your order so as to achieve best Total Consideration. Total Consideration means:
- (1) for a buy order the purchase price paid by you in respect of the execution of your order, plus transaction costs (which means all costs paid by you that are directly related to a particular trade including, without limitation, any trade execution costs imposed by a Market Crossing System or a Participant, clearing and settlement costs and commissions paid to Euroz by you); and
 - (2) for a sell order, the sale price received by you in respect of the execution of your order less transaction costs (which means all costs paid by you that are directly related to a particular trade including, without limitation, any trade execution costs imposed by a Market Crossing System or a Participant, clearing and settlement costs and commissions paid to Euroz by you).
- 2.3 If you provide Euroz with instructions in relation to the handling and execution of an order placed by you that are inconsistent with Euroz obtaining best Total Consideration and that are:
- (1) clear and unambiguous;
 - (2) in writing or if provided to Euroz verbally are recorded by Euroz and retained by Euroz for a period of seven years; and
 - (3) specific to an order, and not contained within the terms and conditions of a client agreement or any other standard form agreement provided by Euroz to you,

Euroz must take reasonable steps to handle and execute your order in a way that satisfies your instructions.

3. Manner in which orders will be executed

3.1 Euroz will operate 2 processes (one manual, one automated) by which orders will be executed on the TradeMatch, Pure Match and Chi-X platforms. A description of these systems is set out below.

3.2 Each of the TradeMatch, PureMatch and Chi-X platforms will provide an *order book*. An order book is means by which *bids* (an offer to buy a financial product) and *asks* (an offer to sell a financial product) are displayed. Where there is a match between a bid and an ask, a trade occurs. At this time, Euroz expects that the PureMatch and Chi-X order books will operate in a broadly similar manner to the way that the TradeMatch order book currently operates (in the sense that all 3 order books will operate a continuous auction where orders are executed in accordance with price/time priority) but there will be some significant differences in the precise manner that the order books operate (for example the circumstances in which each order book is made available for trading, the Chi-X order book will not operate with respect to all financial products that are traded on TradeMatch and PureMatch will not allow for all of the types of orders that can currently be executed on TradeMatch). From time to time, Euroz will amend this document so as to set out any relevant matters that emerge as to the way that the respective *order books* will operate. However, given the likely size of orders that are to be executed on your behalf it may be that the various differences in the way that the order books operate will not result in your order being executed in a materially different manner.

3.3 Manual Process - When you place an order, your adviser will assess whether, because of the size of the order (that is, the number of financial products that are to be bought or sold) the order could be readily executed in the TradeMatch, PureMatch and Chi-X order books (the issue being whether in these order books there is sufficient liquidity such that the order could readily trade including whether the order could readily trade without there being a substantial price impact (which in relation to a buy trade could result in you paying substantially more or in relation to a sell trade you receiving substantially less). Where your adviser determines that your order can be readily executed in one or more of the TradeMatch, PureMatch and Chi-X order books, your adviser will enter your order into the IRESS Order System that is operated by Euroz. This system has a feature known as the Best Market Router which automatically determines the order book where best execution can be achieved and automatically routes your order to that order book for execution. Where best execution can be achieved by executing your order in more than one order book, the Best Market Router will cause your order to be divided up and executed in more than one order book. The Best Market Router can be configured to execute orders in particular ways.

3.4 Automated Process - Where your adviser determines that your order cannot be readily executed, your adviser will determine which order book is likely to offer best execution and will cause your order to be manually executed (*worked*) in that order book (it may also be that your adviser will divide up your order and cause it to be executed in more than 1 order book). In this regard, your adviser will be attempting to obtain the best total price with respect to the execution of your total order rather than to achieve the best price with respect to the execution of part of your order. For example one order book may offer the best price but there is limited liquidity at that price and another order book may offer a lower best price but more liquidity at that price with the result being that an overall better price can be achieved by trading in the second order book (or trading part of your order across 2 order books). In these circumstances, whether a better price can be achieved by trading in one order book or another (or multiple order books at the same time) is a matter for your adviser's commercial judgment in the context of a particular market at a particular time and Euroz is not therefore able to specify, in advance, rules that it will apply when this circumstance arises.

3.5 By way of an example, a relatively small order in a liquid *stock* will, most likely, be executed by way of the Best Market Router whereas a relatively large order placed with respect to an illiquid *stock* will be *worked* in whatever order book will provide best execution.

3.6 Importantly the PureMatch and the Chi-X platforms (when fully operational) will only operate with respect to shares issued by companies that fall within the ASX 200 Index and some exchange traded funds. The result of this being that if you place an order to buy or sell a share issued by a company that falls outside the ASX 200 or is not an exchange traded fund (that is traded in the PureMatch or Chi-X order books) your order will be executed in the TradeMatch order book (please also note that most of the companies that are covered by Euroz Research Reports do not form part of the ASX 200 Index and orders placed with respect to these companies will therefore be executed in the TradeMatch order book).

4. **Best execution versus best outcome**

4.1 Best execution refers to the price at which your order will be executed. Best outcome refers to a wider concept which takes into account the transaction costs that will be incurred in relation to each order executed on your behalf.

4.2 At this stage, the pricing structures (including costs that relate to clearing and settlement) that will apply in relation to the TradeMatch and PureMatch order books are not entirely clear (and it may be that the pricing structures that apply to each of the TradeMatch, PureMatch and Chi-X order books will be materially altered over time). However, the brokerage charges paid by you will be the same irrespective of the order book in which your order is executed as it is commercially impractical for Euroz to attempt to increase or decrease the brokerage paid by you to reflect the differences in underlying transaction costs that will be incurred (and paid by Euroz) with respect to trading in different order books. In these circumstances Euroz, at this time, will execute orders in the order book where best execution can be achieved. In this regard, Euroz notes that, given the size of orders that are likely to be executed on your behalf, the differences in transaction costs between order books are unlikely to be material.

4.3 Again this issue is, at this time unclear, but it may be that Euroz may be offered incentives to trade on one or all of TradeMatch, PureMatch and Chi-X (both generally and with respect to particular orders – for example by charging lower fees to sell a financial product as opposed to buying a financial product). Euroz will ignore these incentives and will, instead, trade on the market where best execution is achieved. In this regard, Euroz notes that it is theoretically possible that an incentive, if it was passed on to a client, could result in a client achieving best outcome in one order book where best execution would be achieved by trading in another order book. However, as a practical matter, with respect to the volume of trading that is likely to be undertaken on your behalf it is unlikely that this issue would result in a material change to your position and, even if it did, it is not commercially practical to attempt to pass on such an incentive payment to you.

5. **Operation of order books not synchronised**

5.1 From time to time the TradeMatch, PureMatch and Chi-X order books will not be open for trading at the same time.

5.2 When this circumstance occurs (for example TradeMatch and PureMatch will be open for trading at different times) Euroz will execute your order in whatever order book is available for trading at the time that your order is received that offers best execution (that is, Euroz will not delay the execution of an order so as to determine whether best execution could be achieved in another order book, once that order book is open for trading).

5.3 If you, for example, wish Euroz to delay the execution of your order until another order book is available you will need to give us a specific instruction to do so (that is, you cannot give us a standing instruction to only execute an order on your behalf when each of the TradeMatch, PureMatch and Chi-X order books are available).

6. **Your instructions – best outcome not achieved**

6.1 In accordance with the matters set out above, Euroz must take reasonable steps to handle and execute your orders in a way which satisfies any instructions that are inconsistent with Euroz obtaining the best outcome for you and, as a result, may not achieve the best outcome for you. For example you are entitled to instruct Euroz as to the order book in which you want your order executed in circumstances where execution of your order in this order book may not achieve best execution (and therefore best outcome) in relation to the execution of your order.

6.2 Such instructions must be specific to a particular order placed by you. That is, you cannot give a *standing instruction* that your orders will be executed in a particular way (for example, that all of your orders must be executed in a particular order book).

7. **Manner in which respective trade books will operate**

Euroz has been provided with some information as to how the PureMatch and Chi-X platforms will operate. However, Euroz is, at this time, unable to provide detailed information regarding all of the circumstances in which orders will be executed on these markets in that:

- (1) both of these platforms will be in a transitional stage (that is, not providing a full suite of services) for some time after they commence operation; and
- (2) until all 3 markets are fully operational and have been operating for some time it will not be possible to provide meaningful information as to the manner that Euroz is likely to execute orders on each of the respective platforms.

8. **Trades not executed in an order book**

8.1 As a general principle, under the Rules, all trades must be executed in an order book (that is, Euroz is not entitled to arrange for clients to enter into a trade that is not executed by way of the process provided for by an order book). The Rules provide for 6 exceptions to this principle (please contact Euroz if you wish to be provided with an explanation as to operation of each exception). As a practical matter, only one of these exceptions is likely to apply to you. This exception is *trades at or within the spread* (“**the Exception**”).

8.2 The Exception applies where Euroz acts for both the buyer and seller in relation to a particular trade (this is known as a crossing) and Euroz arranges, by negotiation, for a trade to occur at particular price in circumstances where this price is either at the best bid or offer or falls between the best bid or offer that is available in an order book. With respect to such a proposed trade you will be informed by your adviser as to the price(s) at which the trade can be executed in the respective order books and it will be a matter for negotiation between you and the party associated with the other side of the trade as to the price at which the trade is executed and the order book in which it is to be executed (in this regard, please note that such a trade can only be executed via the TradeMatch and Chi-X order books and cannot be executed in the PureMatch order book). Trades will be executed in this manner when it is not possible to execute a trade in an order book at a more favourable price (for example a client wishes to sell a relatively *large line of stock* that could not be readily traded in the order book) but may be executed for some other reason (for example a client wishes to acquire a relatively *large line of stock* in circumstances where this transaction could not be readily undertaken in an order book). A crossing will be not be entered into unless you consent to the order being crossed, the price at which it will be crossed and the order book in which it will be conducted. If you do not consent, your order will be executed in an order book in accordance with the matters set out in this Disclosure Document.

8.3 The crossing referred to at subparagraph 8.2 should not be confused with a crossing that is executed by way of the match of bids and offers in an order book. Under this process, your and another client's order may coincidentally *cross* because both orders have been entered into an order book by Euroz. However, these orders trade in exactly the same way as any other orders that are entered into the order book (that is, the fact that Euroz acts for both clients will have no effect on the manner in which your order is executed including the price that you will receive).

9. **Further information**

Please, of course, do not hesitate to contact your adviser should you require any further information regarding the matters referred to above or with respect to any other issues concerning how your orders will be executed once Euroz commences trading in the Chi-X and PureMatch order books.

