

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

May 2024

This document sets out the current practices of ANZ Bank of New Zealand Limited in relation to dealing with you in the fixed income, currency and commodities (FICC) markets. We may update this disclosure from time to time and the most up-to-date version will always be available on our website at [www.anz.co.nz/institutional/markets/](http://www.anz.co.nz/institutional/markets/)

This document is not a "product disclosure statement" (as defined in the Financial Markets Conduct Act 2013 (FMCA)) and is not part of any "regulated offer" (as defined in the FMCA).

## PURPOSE OF THIS NOTICE

The Markets business of ANZ Bank New Zealand Limited (**ANZ**) operates as a dealer and market maker in the fixed income, currency and commodities ("**FICC**") markets whilst, at the same time, may undertake a wide range of financial services and products to you.

This notice is for ANZ's Customers who enter into transactions with the Markets business of ANZ (**transactions**). Its purpose is to provide clarity on:

- the nature of ANZ's trading relationship with you;
- how ANZ will transact and communicate with you;
- how ANZ manages certain potential or actual conflicts of interest when undertaking trading activities;
- our role as a dealer and market maker; and
- how we handle your information.

The nature of obligations owed to you may vary depending on the products ANZ trades with you and the precise nature of your relationship with ANZ.

When you enter into transactions with the ANZ Markets business it will be on the terms contained within the ANZ terms of business we have provided you, any trading documentation we have entered into with you, (including Terms and Conditions of Markets Transactions or ISDA Master Agreement) and any specific disclosures or notices we have provided to you, which includes this notice.

This notice is not intended to exclude or override any mandatory obligations that it may owe to you under any applicable law or regulation.

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 ANZ Markets Dealer.

## OUR RELATIONSHIP WITH YOU

Unless ANZ otherwise agrees or notifies you before entering a transaction, ANZ will only undertake transactions with you in a principal capacity. This means that we act on an arm's-length basis, for our own account. We do not act as your broker, agent or fiduciary 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.

We do not provide legal, taxation or investment advice to you in relation to any transaction we enter into with you. You should undertake your own independent assessment to assess the appropriateness and merit of any transaction having regard to your circumstances (including seeking independent financial, legal, tax and other advice). You should not enter into any transaction with us unless:

- you understand, accept and assume the terms, conditions and risks;
- you are satisfied it is suitable for your objectives, financial situation and needs; and
- you understand foreign exchange and derivative markets and how they operate.

## PLACING ORDERS WITH ANZ

You should take note of the following when you place orders with ANZ.

- 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. 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 cases 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 will exercise its discretion in deciding which orders it will accept and execute, when and how it will execute them, including whether to execute all or part of the order, the priority in which the orders are executed and the price. ANZ may return an order to you (i.e. decline to enter a transaction with you) without being required to disclose why.
- ANZ may refuse to take or execute any order which it 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 (inadequate market liquidity, for example).
- When orders are received by ANZ, they are time stamped with the date and time as soon as practicable after receipt of the order.
- Generally, orders for spot foreign exchange are aggregated together with other orders placed around the same time for execution whilst orders for other products are dealt with promptly, professionally and in a fair and expeditious manner according to the time they are received.
- ANZ may fill your order from its own inventory or look to external sources of liquidity to satisfy both your order, orders from other counterparties and ANZ's own competing trading interests.
- ANZ may agree with you to execute and fill order via algorithms which apply a predetermined methodology.
- ANZ is not under any obligation to take or execute any order or to execute an order at any given levels. A number of factors are taken into consideration when ANZ exercises its discretion to accept and execute an order,

including the prevailing market conditions, ANZ's own risk appetite and its trading strategy.

- 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 may engage in pre-hedging and hedging activities to manage its risks in connection with your transaction or to enable it to provide a price for 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, prevailing market conditions and the size and nature of the anticipated transaction. When ANZ undertake pre-hedging or hedging activities, it will do so in a manner that is not meant to disadvantage your order or disrupt the market.

Any pre-hedging or hedging transactions that may be executed before, during and after receiving a pricing request or firm order from you, will be entered into by ANZ as principal, and could be at different prices from the price of the transaction that ANZ executes with you. These transactions may affect the market price of or liquidity of the products you are buying and/or selling and may result in profit or loss to ANZ.

## ANZ'S TRADING AND MARKET MAKING ACTIVITIES

ANZ may from time to time take proprietary positions, undertake proprietary activities (including hedging transactions) related to the entry into or termination of a product or act as a 'market maker' in various FICC markets. Acting as a market maker means that ANZ may offer two-way prices to enter into transactions relating to a variety of currencies, assets and interest rates (financial instruments) and provides liquidity in, and facilitate execution of transactions in those financial instruments.

In carrying out these market making activities:

- ANZ may trade prior to or at the same time as your transaction and may modify and/or terminate its positions or otherwise take action for ANZ's own account to facilitate transactions with other counterparties, to manage risk, to source liquidity or for other reasons;
- ANZ may be trading in the same or related financial instruments for ANZ's own account that are the same, similar or opposite to your positions; and
- ANZ is a contributor bank through its trading activity in the New Zealand bank bills market, which is used to calculate BKBM. This will determine payments made under some derivative transactions, including New Zealand dollar interest rate swaps. ANZ also

contributes to rates and pricing data collected by the New Zealand Financial Markets Association for the purposes of calculating wholesale market rates published on their NZdata Service.

Generally, ANZ is not required to disclose when it is handling other counterparties' orders or its own market making or risk management trades ahead of, at the same time as, or on an aggregated basis with, your order.

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

These activities may adversely affect market prices or liquidity and may conflict with the interests of our counterparties. ANZ has in place policies and procedures reasonably designed to manage any potential conflicts of interest that might arise as a result of the receipt of information by ANZ through its trading or market making activities and ensure that its trading, market making, and risk management 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 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 incorporates:

- the price of the financial instrument (or equivalent) including any bid-offer spread;
- costs related to hedging the transaction including venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the transaction; 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:

- product type, size of the transaction, the type of order, trading venues, and

- market conditions such as liquidity and volatility;
- ANZ's own internal costs such as hedging costs, transaction costs, funding costs, capital costs and overheads; and
- ANZ's relationship with you, including the nature and extent of services previously provided or anticipated, and your credit history.

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 communication method and may change any of its pricing strategies at any time without notice.

Mark-up will increase the price you pay for a transaction and for certain types of orders, such as limit orders or stop loss orders, the addition of mark-up may impact the price at which the order is executed.

ANZ is not 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).

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 transaction and execution costs.

ANZ has arrangements in place requiring that the mark-up charged by ANZ is appropriate, fair and reasonable in the circumstances.

## ALGORITHMIC TRADING

For certain transactions you may be able to instruct ANZ to execute an order via ANZ's execution algorithms. In such cases, you should be aware that ANZ will enter into these transactions with you in a principal capacity and not as your agent. Prior to using an electronic execution algorithm, you should independently assess the suitability of the algorithm and any associated parameters. The pricing, speed, and likelihood of executing an order using ANZ's algorithms can vary depending on the parameters you define including start time, limit price, trading style, or chosen strategy. ANZ's algorithms may be configured to execute against a mix of ANZ liquidity and/or external liquidity sources. ANZ reserves the right to add or remove external liquidity sources at its discretion depending on a range of factors including but not limited to fill probability, prevailing market conditions and the available liquidity in the market. Specific terms on which access to ANZ's algorithms is granted may need to be agreed by you. This notice will supplement any specific algorithm terms.

## CONFIDENTIALITY AND INFORMATION HANDLING

Except to the extent otherwise agreed in writing, ANZ's Privacy Statement describes how we collect, use and disclose your information (including personal information).

You should be aware that:

- ANZ's sales, trading and relationship management staff may consult with respect to your transactions, trading behaviour, expectations, mark-up, spread, and any other relevant factors, on a "need-to know" basis;
- ANZ may use the economic terms of a transaction in order to source liquidity and manage risk;
- ANZ may 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, counterparty risk management, sales coverage and counterparty relationship management; and
- 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".

Communications with the ANZ Markets business using certain communication channels (including communications via phone, email, Bloomberg and Microsoft Teams), are recorded to comply with the New Zealand Financial Markets Conduct Act 2013, and international financial market regulatory requirements. Information in these recordings may be disclosed to the respective relevant regulatory bodies, including but not limited to the Financial Markets Authority (FMA), the Australian Securities and Investments Commission (ASIC) and the Commodity Futures Trading Commission (CFTC). All such recordings and transcriptions are collected and held in Australia for and on behalf of Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, ANZ Centre, 833 Collins Street, Docklands, Victoria, 3008, Australia) and ANZ (Ground Floor, ANZ Centre, 23-29 Albert Street, Auckland, 1010, New Zealand).

This notice is dated 29 April 2024

