

Macquarie Group

Commodities and Global Markets



Disclosure to wholesale foreign exchange clients

The purpose of this notice is to clarify the nature of the foreign exchange (“FX”) relationship between you and each entity in the Macquarie Group’s Commodities and Global Markets business with which you may trade FX.

Macquarie is dedicated to upholding a high level of integrity in our wholesale FX dealings with clients and other market participants (together, “Clients”). This includes following our What We Stand For principles (which can be found at www.macquarie.com/about/company/what-we-stand-for), and adhering to applicable rules, regulations and requirements published by regulatory bodies and relevant international groups, including the principles of the FX Global Code as issued by the Global Foreign Exchange Committee. In doing so, we want to ensure that there are no ambiguities or misunderstandings regarding our practices and our approach to dealing in FX products.

Disclosure Notice

We ask that you read this notice because it sets forth our relevant business practices and approach to dealing, including how we will communicate and transact, with our Clients in principal-to-principal wholesale FX transactions (in addition to when you act as agent for another principal). This notice is not, however, intended to be an exhaustive statement of Macquarie’s pricing or order management practices or policies, nor does it replace any agreements you have entered into with Macquarie applicable to FX activities or as required by applicable regulations.

This notice may be updated from time to time in order to address changing regulatory, industry and other circumstances or requirements, with the most updated notice always available at www.macquarie.com/about/disclosures/regulatory-disclosures. If you have questions after reading this notice, please contact your senior Macquarie representative.

To the extent that you continue to discuss and/or enter into FX transactions with Macquarie, and unless expressly agreed between Macquarie and yourself or as required by applicable regulation, it will be on the basis of the disclosures in the most recent version of this notice. For the avoidance of doubt, however, this notice is not intended to exclude any mandatory obligations that we are required to undertake under any applicable law or regulation.

Our policies and procedures

Macquarie has specific policies and procedures applicable to relevant staff relating to how we will communicate, manage orders and transact. There is regular and specific training on what is expected from our staff, active management oversight and monitoring of actual or potential conflicts of interest, as well as clear escalation and resolution channels should any issues be identified.

Furthermore, these (and other) policies and procedures have been implemented with the intention of identifying and addressing the conflicts of interest inherent in principal trading relationships, and managing our business towards an acceptable return. These policies broadly focus on the following:

- Conflicts of interest in order handling and specific guidelines for the management and execution of counterparty orders;
- Handling of orders and order fills in a fair, timely and complete manner;
- Appropriate communication and communication channels, including guidelines on electronic vendor-provided communication platforms; and
- Specific guidelines on appropriate content of market commentary internally and externally.

These policies and procedures are reinforced internally with regular specific training and review, and we are active in industry forums that are seeking to implement higher standards in the wholesale spot FX markets, and other markets.



Principal Trading

Macquarie is a dealer, counterparty and market maker in the wholesale spot FX market. As such, Macquarie engages in price discovery, price quoting, order taking, transaction execution and other related activities.

Unless we otherwise expressly agree that an order is to be managed and executed on an agency basis, Macquarie engages in these activities as principal for the benefit of Macquarie and will enter into transactions with you on a principal basis as an arm's-length party.

In that capacity, Macquarie does not act as agent, fiduciary, financial advisor or in any similar capacity on a counterparty's behalf and therefore does not undertake any of the duties that a party acting in that capacity would ordinarily owe in those circumstances, nor do Macquarie's sales and trading personnel serve as brokers or agents to a counterparty with whom we deal in a principal capacity.

Due to the nature of Macquarie's role in its dealings with you, Macquarie may at times have divergent or competing interests from those of our Clients.

Macquarie does not advise you

Macquarie will be truthful in its statements about any facts discussed with you, but our statements should not be construed as advice regarding investment, tax, accounting, legal or other matters. You are expected to have evaluated the appropriateness of any transaction for you based on your own position and circumstances, including your own assessment of the merits of that transaction.

Pricing

Where Macquarie acts as principal, it does so for its own account and any indicative or firm price provided will be an "all-in" price unless otherwise specified. This means that the price may include a mark-up which will be fair and reasonable and will take into account, among other things, the currency, size of the order, and market conditions (such as liquidity and price volatility), as well as relevant business costs, such as credit costs, costs of capital, execution venue and settlement costs, which may differ between Clients. Macquarie may also require the price to take into account risk management requirements depending on the positioning of our trade portfolio.

Macquarie and a counterparty may also, from time to time, discuss prices in relation to a bid, offer or order that is constructed of the market price at the time of execution plus a set fee, which may be inclusive of the cost of credit, margin and costs related to the execution of the transaction (referred to here as "market price plus agreed margin"). Macquarie's acceptance of and effort to fulfil such bids, offers or orders does not constitute an agreement that Macquarie is acting as the counterparty's agent. Consequently Macquarie, as principal, may transact with another counterparty at a price different than the bid, offer or order and may also earn compensation (such as mark-up or an on-top amount from such other counterparty) in connection with fulfilling any such counterparty transaction or order in addition to any designated on-top amount and need not disclose that compensation to the counterparty.

In both the "all-in" and the "market price plus agreed margin" cases above, when Macquarie is willing to execute a transaction with a counterparty, the price at which Macquarie would do so may include a spread or mark-up over the price at which Macquarie transacted, or may have been able to transact, with other Clients. Macquarie has discretion to provide different prices or services to different Clients for the same or substantially similar transactions.

Macquarie's sales and trading personnel are not obligated to disclose the amount of revenue Macquarie expects to earn from a transaction, nor are they required to disclose the components of Macquarie's all-in price. While we do not have any duties to disclose to a counterparty any markup included in the transaction price, we will be truthful if we do make a disclosure about whether and how much markup is included in the price.

Order management and execution

When Macquarie agrees to accept an order from you at a particular price (such as a limit or stop loss order), Macquarie is indicating its willingness to act as a principal counterparty to you and will attempt to complete the trade at the price you have requested. In so doing, Macquarie accepts market risk on the transaction at the point at which it is executed.

Unless otherwise specifically agreed, Macquarie will handle the order fairly and with transparency, and will exercise reasonable discretion in deciding which orders to execute, when to execute them, and how to execute them.

In relation to orders that you place with Macquarie, including where you confer Macquarie with a degree of discretion in execution (including but not limited to limit orders, stop loss orders, 'at best' or 'at worst' orders, or orders worked over a period of time), you should be aware that:



- (a) *Order parameters:* To effectively manage your orders, Macquarie requires you to inform Macquarie of the parameters of each order that you place with us, including but not limited to the price, order amount, time period and, for stop loss orders, the stop level.
- (b) *Pre-hedging:* Macquarie may pre-hedge orders when acting in a principal capacity in order to effectively manage market risk. Macquarie will not pre-hedge your order when acting as agent on your behalf.

Pre-hedging involves Macquarie managing the risks associated with one or more client orders through the establishment of a risk position ("inventory"). It is not intended to disadvantage clients or disrupt the market, and we are committed to undertaking pre-hedging fairly and transparently. Prevailing market conditions, as well as the size and nature of any anticipated transactions, will be among the relevant considerations in the manner in which Macquarie conducts its pre-hedging.

In relation to stop loss orders that you have placed with us, Macquarie may execute transactions that are close to the stop level of any stop loss order that you have placed as part of our pre-hedging approach. These transactions may impact market prices which may result in the stop loss order being triggered, however Macquarie will not transact with the intention of triggering stop loss orders nor disrupting the market, and is committed to handling all orders fairly and in accordance with industry best practice standards.

Macquarie may continue to conduct on-going business, including risk management, market making and execution of other client orders, while undertaking pre-hedging.

- (c) *Management of potentially-competing counterparty orders:* Macquarie may accept orders from multiple Clients at similar price levels in the same or related currency pairs, the effect of which has the potential for an order from one counterparty to conflict or compete with the interests of another counterparty's order. Macquarie is committed to handling all orders fairly and in accordance with industry best practice standards.
- (d) *Order fills:* Macquarie will endeavour, but is not obliged, to take reasonable steps to keep you updated as to liquidity and market conditions at the beginning of and, as appropriate, throughout the execution of your order. Macquarie will endeavour to fully fill orders which Macquarie is capable of filling within the parameters of the order, subject to the prevailing market conditions and other relevant business considerations including, but not limited to, counterparty instructions, credit lines, costs of execution and the need to prioritise certain counterparty orders. When Macquarie makes a decision on whether and how to fill your order, including partial fills, Macquarie will endeavour to communicate that decision to you as soon as practicable.

If and when an order can be executed at the order price, it does not mean that Macquarie held, acquired, or would acquire inventory to complete the transaction at the order price level or that there exists a tradable market at that level. Macquarie reserves the right to execute a transaction with a counterparty using Macquarie's inventory or through acquisition or other hedging activities without disclosing to the counterparty the source and Macquarie's cost of the liquidity. As principal, Macquarie will generally attempt to execute an order to make an appropriate and reasonable return on the transaction if possible, taking into account Macquarie's position, including its inventory strategy and overall risk management strategies, its costs, risks and other business factors and objectives, in Macquarie's discretion.

Market Making

As a market maker that manages a portfolio of orders for multiple Clients' competing interests, as well as Macquarie's own interests, Macquarie acts as principal and may trade prior to or alongside a counterparty's transaction to execute transactions for Macquarie, to facilitate executions with other Clients, to manage risk, to source liquidity or for other reasons. These activities may have an impact on the prices we offer you on a transaction and the availability of liquidity at levels necessary to execute orders. There is also a risk that these transactions may trigger stop loss orders, barriers, knock-outs, knock-ins and similar conditions. In conducting these activities, Macquarie endeavours to employ reasonably designed means to avoid undue market impact, will act fairly and with transparency, and will not use information received from you to inappropriately derive a benefit for Macquarie. Macquarie has policies and procedures in place to address issues arising from these activities.

In addition, as a market maker, Macquarie may receive requests for quotations and multiple orders for the same or related currency pairs. Macquarie acts as principal and may seek to satisfy the requests of all of our Clients as well as managing our independent risk management objectives. We retain discretion with respect to how we deal with our Clients, including with respect to order execution, aggregation, priority and pricing. In particular, an order at a certain price level may not be executed, in part or full, even if the market publishes a price at that level, due to various factors which may include that the market did not trade at that level sufficiently (or at all) for Macquarie to execute a transaction, or that the execution of the order is dependent on the incorporation of a mark-up in the final price.



Macquarie is unable to disclose at the time you wish to leave an order that Macquarie may be handling other Clients' orders or Macquarie's own FX risk management needs at the same time as, ahead of, or on an aggregated basis with, your order. Macquarie is under no obligation to disclose to a counterparty why Macquarie is unable to execute the counterparty's order in whole or in part, provided that Macquarie will be truthful if we agree to disclose such information.

Macquarie's sales, trading and other personnel will consult, including with respect to a counterparty's interests, trading behavior and expectations, markup, spread, and any other relevant factors, on a need-to-know basis in order to handle Macquarie's market-making positions, and for the benefit of Macquarie's trading positions and the handling of counterparty transactions and orders.

Benchmark or Fixing Orders

A benchmark or fixing order is an order to buy or sell a specified amount of currency at the FX benchmark requested. Orders for transactions whose pricing is set by reference to certain FX benchmarks can create additional concerns for transaction execution and management of related risks. Reference is made to the [Financial Stability Board's Final Report on Foreign Exchange Benchmarks](#) for a description of the relevant circumstances.

Macquarie has policies and procedures in place that seek to prevent, mitigate and manage conflicts of interest that may arise during the execution of FX benchmark orders. Macquarie executes benchmark orders according to the following principles:

- (a) Information relating to benchmark orders will not be disclosed other than on a need-to-know basis to Macquarie staff or third parties; and
- (b) Acceptance and execution of benchmark orders will be undertaken in a manner which is fair and transparent.

In the event that a benchmark that is intended to be used in relation to a client order is not published on the required pricing date, then, subject to the terms of any agreement between the parties, Macquarie will work with the client to determine an alternative pricing mechanism.

Information Handling

Protecting the confidentiality and security of your information is an important part of how we do business. Macquarie has policies, procedures and controls in place that are designed to protect your confidential information. If it is necessary to disclose your information internally or externally, including in order to execute transactions or manage risk, Macquarie will do so in accordance with these policies or procedures, which includes such disclosure being on a need to know basis.

Macquarie will protect confidential information through clear and accurate communications that support and promote a robust, fair, open, liquid and appropriately transparent market. This may include analysing, commenting on and disclosing information regarding executed transactions, as appropriate and on an anonymised basis (except where information regarding executed transactions has previously been publicly disclosed), together with other relevant market information, internally and to third parties, as market colour. With regard to executed transactions, Macquarie analyses this information internally on an individual and aggregate basis and may use the information for a variety of purposes, including business strategy, sales coverage, and counterparty risk and relationship management.

Macquarie is also subject to regulatory obligations, such as regulatory reporting obligations, that may require the disclosure of your information. Macquarie may also disclose your information, in accordance with applicable law, in the course of regulatory investigations or legal proceedings.

Electronic Trading Platforms

In some instances, Macquarie may provide you with access to a platform that enables self-execution of, or the placement of orders in relation to, FX transactions. Where this is the case, you should be aware that the price displayed/quoted consists of a core price combined with a mark-up that may take into account, among other things, execution costs, availability of credit, market liquidity and volatility.

You should also be aware that typically the core price is an aggregated price from Macquarie and other external platforms, which aims to provide a consistently tight spread to you, allowing for the elimination of bad prints. If a price cannot be sourced by Macquarie, then no price will be shown to you within the platform.