

Foreign Exchange Order Execution Policy Disclosure.

Westpac PNG





Westpac PNG's Financial Markets Business.

The Financial Markets business of Westpac Bank – PNG -Limited covers the Papua New Guinea (PNG) foreign exchange market. As part of our activity in this market, we engage in price quoting, order taking, transaction execution and other market making and risk management related activities.

This notice is intended to inform you of key aspects of the trading practices of our Financial Markets business including how we handle conflicts of interest and our policy on order handling and execution, pricing and the handling of confidential information. By continuing to trade with us you do so on the basis of the information disclosed in this notice.





Relationship.

Unless otherwise agreed with you, we act as principal and enter into transactions with you as a direct counterparty on an arms-length basis. As a principal, we act in our own interests and for our own benefit. We do not act or assume any responsibility as broker, agent, fiduciary, financial advisor or in any similar capacity unless otherwise explicitly agreed to in writing. Accordingly, you must independently evaluate the appropriateness of any transaction that you enter into with us, based on your own assessment of the transaction's merits and having regard to your own circumstances. You should be aware of the risks associated with transactions you request and undertake and should assume that we have an economic incentive when trading as principal.



Conflicts of Interest.

The principal-to-principal nature of the PNG foreign exchange market and our role as a dealer and market-maker opposite multiple customers gives rise to inherent conflicts of interest between us and our customers and amongst our customers. Such conflicts may not be able to be completely eliminated.

At any time, we may be engaged in transactions with a large number of different customers, each of whose interests may diverge from those of our other customers. As part of managing our business, we may take positions in anticipation of overall client demand and in connection with our risk management activities. In such cases, our actions are undertaken on a portfolio basis with the intention to provide us with sufficient inventory to service our clients.

It is possible that our market making and risk management activities may impact the prices communicated to you and the availability of liquidity at levels and/or prices necessary to fill your orders. These activities may also affect the execution of certain transactions such as foreign exchange orders.

Conflicts of interest may arise where we engage in pre-hedging but our policy is to conduct this activity fairly and proportionately to manage our market risk exposure. This is not intended to disadvantage the client or disrupt the market.

We have policies and procedures that aim to manage other conflicts of interest consistently and appropriately in the jurisdictions in which we operate. For example, personal relationships, gifts and corporate entertainment and personal dealing by our employees. We always aim to treat our clients and counterparties fairly.



Pricing and Mark-Up.

We strive to offer our customers competitive pricing. Unless otherwise expressly agreed, any firm or indicative price quoted is an “all-in” price, inclusive of any mark-up, regardless of the circumstances under which the price is received.

Considerations that may be taken into account in determining a mark-up level include, but are not limited to: Bank of Papua New Guinea (BPNG) guidelines, prevailing market conditions, the risks inherent in the transaction, client credit quality, funding costs, liquidity (including historical and prevailing liquidity), transaction costs, our operational costs, client relationship factors (e.g. the volume transacted by the client, the frequency of such transactions, the aggregate amounts transacted by the client over time with Westpac and in the market and the level of service to the client), the commercial objectives of Westpac, its affiliates and related entities and the amount of work and associated costs carried out by us and any external advisors in preparation for executing the transaction or order.

The impact of each individual factor upon the price we communicate to you will differ depending upon prevailing market conditions and specific circumstances of that transaction. We may therefore apply a different mark-up to different customers for transactions that are the same or substantially similar.

The fact that we fill an order at a specific price does not mean that we 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. We may look for market opportunities that allow us to fill an order and also earn a reasonable return for that activity, including addition of mark-up and transaction and execution costs to the order.

Unless we have notified a counterparty of different pricing terms, when determining whether there is liquidity available at price levels necessary to execute an order, we may take into account the mark up factors set out above in arriving at an “all-in” price. This may impact the amount and/or timing of your fill. Also, where a transaction or execution instruction is priced or triggered by reference to the market price for a product, we may agree to reference one or more specified sources. Absent such agreement, we will determine the market price using commercially reasonable discretion, which, depending on the circumstances, may be a bid, offer, mid-market, market-on-close, last-traded, or other price.



Order Handling.

By placing an order, you offer to transact with us on the basis of the parameters set out in your order. We may decline an order in our sole discretion and will always decline an order if we reasonably believe that the purpose of the overall transaction is to disrupt or distort market functioning.

When we indicate our willingness to “work” an order, we are indicating our willingness to attempt to enter into a transaction with you within the price, time and size parameters requested by you. Any indication by us that we are working an order does not create a contract between us and a customer. No transaction or other contract will result from an order until and unless we respond to the customer that we have filled some or all of the order, at which point the customer will assume the risks associated with the filled or executed order.

We act as principal in the market in order to satisfy the requests of all of our customers and also to manage our risk. We retain discretion as to whether to, and how to, satisfy the requests of our customers, including fill quantity (all or in part), aggregation and priority. In the absence of specific agreement to the contrary with you, we may use any or all execution methods and liquidity sources at our sole discretion (subject to any best execution requirements that may apply in any specific jurisdiction). A number of factors will be taken into consideration when exercising our discretion including our positioning, our risk appetite, prevailing liquidity and market conditions. We will exercise our discretion reasonably, fairly, and in such a way that is not designed or intended to disadvantage you.

We record the time at which orders are received, entered into our order management systems and executed.

We are not required to disclose to you that we are handling other customers’ orders or our own market making trades ahead of, or at the same time as your order.



Pre-Hedging.

We may pre-hedge to manage the risk associated with one or more anticipated orders. Any pre-hedging will be undertaken in a manner that we consider to be reasonable and proportionate. In assessing whether to undertake pre-hedging, we may consider prevailing market conditions (such as liquidity) and the size and nature of the anticipated order or transaction. We will never undertake pre-hedging with the intention of disadvantaging the client or disrupting the market.

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



Confidentiality.

Protecting the confidentiality and security of confidential information provided to us by customers is one of Westpac's highest priorities. Westpac has policies, procedures, systems and controls that are designed to identify and appropriately limit access to confidential information.

Where consistent with our legal obligations and internal policies, we may disclose confidential information about your orders and transactions to:

- Agents, brokers, trading platforms, credit reference agencies and other internal and/or external parties to the extent necessary for the execution, processing, clearing, novating and/or settling of transactions;
- Advisors and/or consultants on the understanding that they maintain confidentiality in the same manner as Westpac would in such circumstances;
- Central bank, regulatory or governmental authorities as requested or required; and
- Our Westpac affiliates.

In addition, we may:

- Disclose confidential information where it is required to be disclosed under applicable law or otherwise with your consent;
- Make use of some information contained in orders and executed transactions to effect and risk manage the transactions themselves, as well as for portfolio and inventory risk management purposes;
- Analyse information about executed transactions on an individual, aggregated and non-attributable basis for a variety of purposes, including client risk management, sales coverage, and client relationship management; and
- Disclose aggregated and anonymised information regarding executed transactions and other relevant market information as market colour.

Disputes and Complaints.

Westpac treats customer complaints seriously. If you have a dispute or a complaint regarding an order or transaction you should contact your Relationship Manager.

Context of this Notice.

This notice should be read subject to any:

- Written agreement entered into between us including, but not limited to, any ISDA Master Agreement or Electronic Trading User Agreement (for foreign exchange);
- Terms of Business agreed between us in any specific jurisdiction;
- Product or jurisdictional specific disclosures and notices including those relating to our algorithmic trading services and associated products;
- Applicable legal or regulatory requirements (including BPNG Guidelines and related regulations and any duty of best execution) in the jurisdiction in which your relationship is maintained.



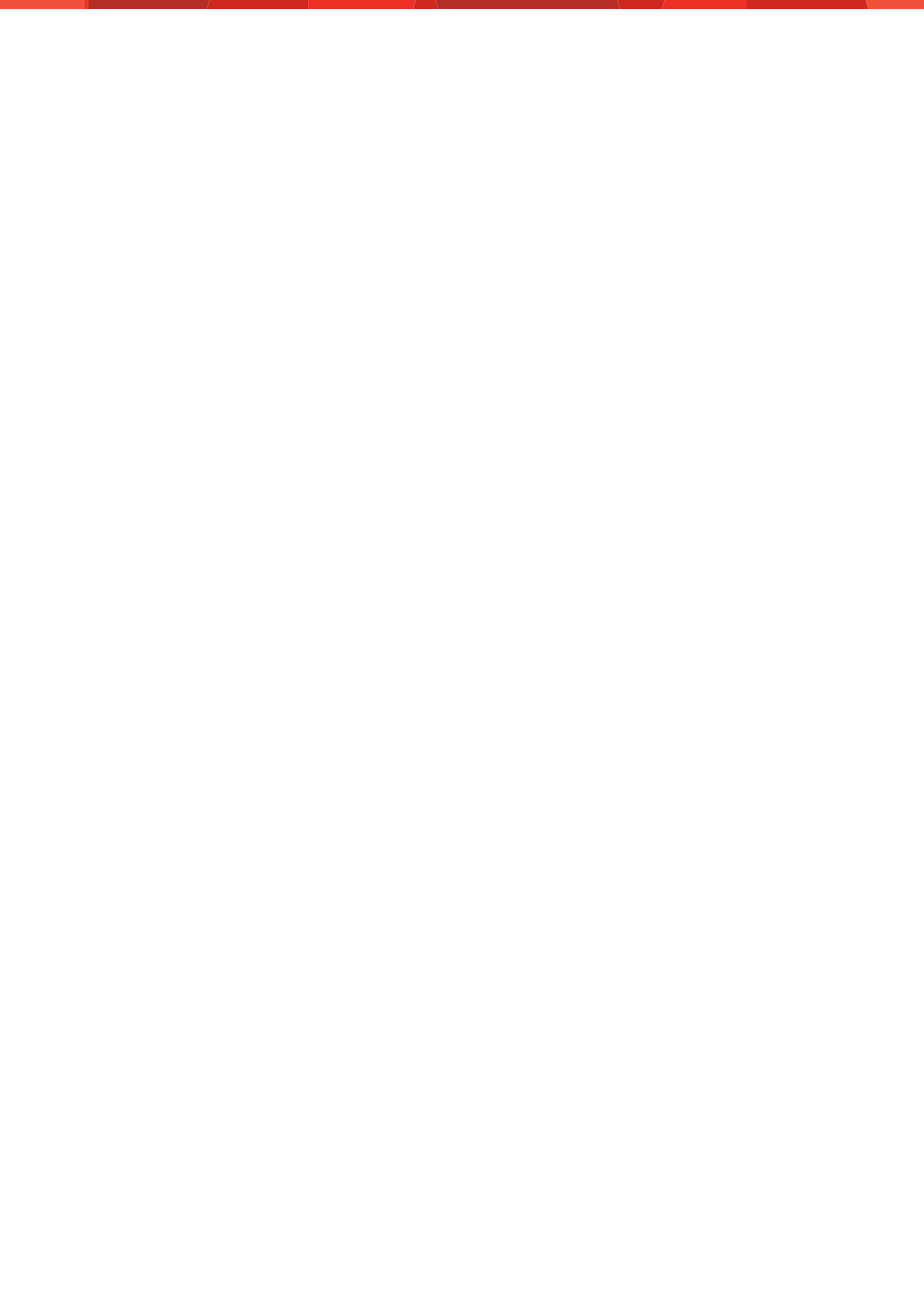


Updates.

We may modify the practices described in this notice from time to time due to changes in law or regulation or because of industry or other developments.



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For more information:



**Call the Financial
Markets team**
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Visit
www.westpac.com.pg



Ask at your local branch

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