

Virtu APAC

Virtu APAC Best Execution Policy



VIRTU
FINANCIAL



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Audience

The intended audience for this document is all clients of Virtu ITG Australia Limited (VIA) and clients of Virtu ITG Hong Kong Limited ("VIHK") (collectively referred to as "Virtu AP").

Note to Clients

Virtu AP may modify this policy at any time and at its own discretion. By placing an order with Virtu AP, clients will be deemed to have accepted this policy in its current form at the date of the placement of the order.

Nothing in this policy should be taken as legal advice or a guide to action. This policy is not a legally binding agreement, rather it should be read in the context of Virtu AP's Terms of Business, applicable market rules, regulations and custom. Any failure by Virtu AP to comply with these procedures does not constitute a breach of Virtu AP's Terms of Business with a client.



1 1 Introduction

This policy pertains to clients VIA categorizes as Wholesale Clients as defined by subsection 761G(4) of the *Corporations Act 2001* (Cth) and clients VIHK categorizes as Professional Investor as defined by section 1 or Part 1 of Schedule 1 of the Securities or Futures Ordinance and Securities and Futures (Professional Investor) Rules.

VIA is regulated by ASIC in Australia under its AFSL license (#219582) and is also a market participant on both ASX Limited and CBOE Australia Pty Ltd.

VIHK is regulated by SFC in Hong Kong to carry out regulated activities under its Type 1 dealing in securities and Type 7 providing automated trading services license, VIHK is also an exchange participant on the Stock Exchange of Hong Kong Limited.

As per the applicable best execution requirements and principles set out in ASIC Market Integrity Rules (Securities Markets) 2017 ("MIR") or the SFC Code of Conduct ("the Code"), Virtu AP will disclose its best execution obligations as prior to accepting client orders and make clients aware of the manner in which these requirements may affect the handling and execution of client orders and provide other relevant information. This policy is designed to achieve these requirements.

Clients may request a copy of the policy at any time by contacting their Account Executive or the Compliance Department and a copy shall be provided within a reasonable time.

Each time there is a material change that affects the trading venues to which Virtu AP sends orders or the circumstances in which orders may be transmitted to a trading venue, VIA shall provide you with a summary of those changes as soon as practicable after the change occurs.

If a client provides Virtu AP with instructions that Virtu AP believes affect its ability to achieve best execution in respect of its orders, Virtu AP must take reasonable steps to handle and execute promptly such orders in a way which satisfies the client's instructions. Under no circumstances will Virtu AP induce a client to provide such instructions.

1.1 VIA Client Specific

VIA will periodically review the client's standing instructions in accordance with MIR 3.181(5) and request a renewal of their standing instructions.



2 2 Factors Determining Best Execution

The concept of best execution for wholesale clients and professional investors is dependent on several factors. These include:

- **Price**
 - The current price available on all trading venues
 - The best price at a given trading venue at a given moment may not represent the best result for the order
- **Size**
 - The routing of orders to trading venues that provide the greatest liquidity and potential for execution
- **Speed and certainty of execution**
 - The routing of orders to trading venues which provide speed and certainty of execution and settlement
 - This is often a client priority, particularly being able to complete an order within a specific time frame
- **Market impact**
- **Overall execution quality**

Other considerations relevant to the execution of the order such as the nature of the order, the characteristics of the client, client priorities, costs and the characteristics of the market may also be considered.

Virtu AP will generally give the highest priority to total consideration, representing the price of the security, however, we may at our discretion prioritise other factors. For example, in a trading venue, price volatility may mean that the timeliness of execution is a priority, whereas, in a trading venue that has low liquidity, the fact of execution may itself constitute best execution.

When a client order is received, Virtu AP will endeavour to choose the trading venue that, taking account of the above factors, is reasonably likely to achieve best execution.



2.1 Application of Risk Controls

Virtu AP pre-trade risk controls seek to prevent orders being sent to trading venues that may cause an adverse impact or affect the integrity of the markets.

For self directed orders that breach pre-determined risk controls, the order can be either rejected or paused. For paused orders, a Virtu AP authorised trading representative or coverage personnel will review the order in the interest of market integrity and determine whether it is appropriate to release it into the market.

For orders placed via Virtu AP's trading desk which have an aggressive limit, a Virtu AP trader will handle the order to trade at or within the limit where possible to seek best execution. The Virtu AP trader will handle the order at limit for passive limit.



3 3 Trading Venues offered by Virtu AP

Virtu AP offers access to several different trading venues to its clients in Asia Pacific either by Virtu AP's direct exchange membership connection, DMA connection via third-party broker or non-DMA third-party broker connections. These include regulated exchange markets, Virtu AP's alternative liquidity pool or crossing engine (called POSIT) and third-party liquidity pools via Virtu algorithms Covert.

Orders may be routed to third-party liquidity pools via Virtu AP's algorithms, Covert. Orders routed via Covert are exposed to (a) liquidity not available on the exchange market, and potentially (b) an opportunity for price improvement. Unfilled orders placed via Covert typically route to the trading venues referred to above for execution based upon the best execution factors identified in Section 2 of this policy.

Clients may opt out of POSIT or any third-party venue at any time and for no charge. To do so, contact your Virtu Account Executive.

Country	Exchange Markets	Connections
Australia*	ASX	Virtu direct exchange membership
Australia*	CBOE Australia	Virtu direct exchange membership
China^	Shanghai Stock Exchange (via Stock Connect)	Virtu indirect exchange membership
China^	Shenzhen Stock Exchange (via Stock Connect)	Virtu indirect exchange membership
Hong Kong	Stock Exchange of Hong Kong	Virtu direct exchange membership
Indonesia	Indonesia Stock Exchange	DMA via third-party broker
India	National Stock Exchange of India	DMA via third-party broker
India	Bombay Stock Exchange	DMA via third-party broker
Japan*	Tokyo Stock Exchange	DMA via third-party broker
Japan*	Nagoya Stock Exchange	DMA via third-party broker
Japan*	CBOE Japan	DMA via third-party broker
Japan*	Japan Next (SBI)	DMA via third-party broker
Korea	Korean Exchange	DMA via third-party broker
Malaysia	Bursa Malaysia Exchange	DMA via third-party broker
New Zealand	New Zealand Exchange	DMA via third-party broker
Philippines	Philippine Stock Exchange	DMA via third-party broker
Singapore	Singapore Exchange	DMA via third-party broker
Thailand	The Stock Exchange of Thailand	DMA via third-party broker
Taiwan	Taiwan Stock Exchange	DMA via third-party broker
Pakistan	Pakistan Stock Exchange	Non-DMA via third-party broker

*Smart order router markets

^Virtu is registered as TTEP with HKEx Stock Connect

3.1 Third-party Liquidity Pools

Third-party Liquidity Pools	Country
ASX Centre Point	Australia



CBOE Hidden	Australia
CBOE BIDS	Australia
CLSA Crossing Engine	Australia, Hong Kong, Japan
Instinet - BLX	Australia
Instinet – BlockMatch	Hong Kong, Indonesia and Philippines
JP Morgan - JPM-X	Australia, Hong Kong, Japan
Liquidnet	Australia, Hong Kong, Japan, Singapore, New Zealand, Indonesia, Philippines and Thailand
Goldman Sachs - SIGMA X	Australia, Japan
SMBC Nikko	Japan
Citi Match	Hong Kong, Japan
CBOE Kai-X	Japan
BNP	Japan
Daiwa DRCT	Japan
Nomura NX	Japan

3.2 Australia Market Trading

VIA is a market participant of ASX Limited and CBOE Australia Pty Ltd. VIA will execute orders on some or all of the order books provided by these market operators from time to time, including ASX TradeMatch, ASX CentrePoint and CBOE Australia (including CBOE Hidden and CBOE BIDS*) (collectively referred to as Order Books).

Client orders may be executed in POSIT (Australia) if the relevant security is traded in POSIT at the relevant time and the client is a POSIT (Australia) participant. VIA may achieve best execution in POSIT (Australia) as POSIT (Australia) offers price improvement on transaction by matching orders at the midpoint of the spread in the relevant security. This midpoint is the midpoint of all order books (also referred to as the midpoint of the National Best Bid and Offer or (NBBO)). If liquidity is not available in POSIT (Australia), VIA will typically route the client order to another trading venue in a manner determined by the factors referred to in Section 2 of this policy (e.g.: price, size etc...).

In taking reasonable steps to obtain best execution, VIA may execute under pre-trade transparency exception in accordance with MIRs.



4 4 Choosing a Trading Venue

Virtu AP will use its discretion to choose a trading venue unless directed by a client to execute on a particular venue or order book. For Australia and Japan trading which utilise Virtu's smart order routing system (SOR), unless the client provides specific instructions to Virtu AP about the trading venue or order book for an order, the SOR will determine the trading venue or order book based upon the best execution factors identified in Section 2 of this policy.

Clients may elect to send their orders to Virtu AP's trading desk for manual execution or send orders electronically. Virtu AP's electronic systems include direct market access (i.e.: automated client order processing (ACOP) or direct market access (DMA)), Virtu's algorithms and POSIT (collectively referred to as client self-directed flow). The way a client chooses to place an order with Virtu AP determines the way the order will be handled by Virtu AP.

4.1 Client Self-Directed Flow

Client self-directed flow includes DMA, ACOP and algorithmic trading. DMA involves Virtu AP passing the client order directly to the relevant exchange with little or no algorithmic logic to manage the order. Algorithmic trading involves the use of Virtu's algorithms which manage the order according to the strategy logic chosen by the client.

4.2 Orders Sent to The Trading Desk

If a client sends an order to Virtu's trading desk, an VIA trader will either place that order on a specified trading venue in accordance with the client's instructions (if any) or, if instructions are received, the trader will place the order into Virtu's trading systems including SOR (applicable markets only) will determine the trading venue based upon the best execution factors identified in Section 2 of this policy.

While Virtu AP has taken all reasonable steps to ensure that it has processes in place that can reasonably be expected to lead to the delivery of best execution of client orders, there may be instances where Virtu AP has to execute an order using a method other than a method set out above. In such cases Virtu AP will strive to execute the order on the best possible terms.



5 5 Arrangements with Affiliates and Third-Party Broker executions

Virtu AP may use affiliate broker-dealers or third-party brokers to provide market access where Virtu AP is not a market participant.

For Virtu AP orders executed by affiliate broker-dealers, Virtu AP will rely on the affiliate to meet our best execution obligation.

Virtu AP conducts due diligence when selecting third-party brokers connections and ensure conflicts of interests are managed appropriately. Further, monitoring is conducted to ensure execution quality is in line with Virtu AP best execution standards.



6 6 Review of Best Execution

All Virtu AP clients are entitled to request Virtu AP to demonstrate that it has executed their orders in accordance with this policy.

If a client wishes to request such a review, the client should contact Virtu AP's account executive and Virtu AP shall comply with that request within a reasonable period.



7 7 Trading Hours

7.1 Australia market trading

The ASX and CBOE Australia operate the same trading hours, with the exception being that CBOE Australia does not operate an opening or closing auction.

7.2 Opening Mechanism

VIA does not route orders to trading venues other than ASX during the pre-open session. Client orders received by VIA to trade at the start of the trading day will be directed to the ASX pre-open session to participate in the opening auction.

7.3 Closing Mechanism

Client orders received to trade in the close auction will be directed to ASX closing single price auction (CSPA).

Clients sending orders to Virtu AP's trading desk can instruct a Virtu AP's trader to route their order to either ASX CSPA and/or CBOE Australia's @Last trading mechanism.



8 8 Best Execution Policy Review

Virtu AP will periodically review this policy, the trading venues it uses, the quality of its execution and the third-party broker liquidity pools with whom it deals to ensure that best execution is generally achieved on an ongoing basis.

Virtu AP will also ensure that its clients are notified each time a material change occurs to its trading venues that may affect best execution or once the periodic review of this policy is completed.



9 9 Market Outages

In the event of a market outage by a market operator and/or third-party internal liquidity pool provider, Virtu AP will continue to route client orders to the remaining available trading venues to obtain the best outcome unless the client has explicitly opted out of the particular trading venue which is experiencing the failure, in which case the client order may be withheld and/or orders open at the trading venues may be requested to be cancelled.

9.1 Australia and Japan market trading

If ASX or Tokyo Stock Exchange (primary trading venues) experiences an outage, Virtu AP will assess the circumstances to determine whether it is appropriate to continue routing orders to the remaining trading venue(s). Given the overall market fragmentation, client orders may be withheld and open orders cancelled.



10 10 Monitoring

Virtu AP will periodically monitor the effectiveness of its execution arrangement.



11 11 Contact

For more information about this policy or its contents, please contact: your Virtu's Account Executive or Virtu's Compliance department at ap-compliance@virtu.com