



National  
Australia  
Bank

# NAB Markets - Sales & Trading Practices

*Wholesale Customers*

*July 2018*



This letter explains the nature of the trading relationship between you and the Markets business at National Australia Bank Limited ('NAB') and discloses our practices in relation to certain terms of dealing with NAB where NAB acts as a dealer or counterparty on a principle basis for fixed income, currency, commodities and equity products including but not limited to securities, derivatives and other related financial instruments ('Financial Products'), but excluding (i) cash, exchange traded funds or similar securities, or (ii) listed derivatives traded on an agency basis.

You should read this letter in conjunction with the specific terms of service for counterparties utilising NAB's electronic trading platforms, copies of which are available upon request. This letter supplements, and is in addition to, any other disclosures and agreements that NAB may provide to or agree with you, including the FX sales and trading letter, any master agreement for financial markets transactions such as the ISDA master agreement, NAB's currency overlay mandate agreement, NAB's general terms of business, any product disclosure statement and any NAB regulatory disclosure.

This letter is not intended to exclude any mandatory obligations that we owe you under any applicable law or regulation. The terms of those obligations may vary depending on the precise nature of your relationship with us and the jurisdiction(s) in which our relationship is maintained. Information on NAB's Dodd Frank disclosures are available [here](#) and Financial Instruments Directive and Regulation (MiFID II) on NAB's European Regulatory Disclosure [here](#).

## General

This letter explains our current business practices and terms of dealing generally with our clients (together with other market participants, "counterparties") in principal-to-principal transactions involving Financial Products (as well as when you act as agent for another principal). It also explains how we will communicate and transact in relation to requests for quotes, requests for indicative prices, bid lists, discussion or placement of orders and all other expressions or indications of interests that may lead to the execution of transactions and our management of potential or actual conflicts of interest in our principal-dealing and market-making activities.

### *NAB's Markets Business*

NAB Markets is part of NAB's global markets business, operating through the offices of NAB in a number of financial centres, including Bank of New Zealand (BNZ) in New Zealand. NAB operates as a dealer, counterparty and market maker in wholesale fixed income, currency, commodities and equity markets and engages in activities such as price discovery, price quoting, order taking, trade execution and other related activities.

### *Relationship*

Unless otherwise expressly agreed, NAB acts as principal for the benefit of NAB when executing transactions with a counterparty. NAB does not act as broker, agent, fiduciary or financial advisor or in any similar capacity on your behalf, unless otherwise explicitly agreed.

### *Conflicts of Interest*

Transaction execution may take place through many different channels with market participants like NAB taking different roles with regard to that execution. The interest of counterparties may diverge from that of NAB Markets or have conflicting interests.

NAB manages large books with a number of requests for transactions coming from a number of sources daily. A buy trade with a client is not necessarily matched with a corresponding sell trade with another party. NAB may have divergent and conflicting interests to those of our counterparties.

## *You Must Make Your Own Assessment*

When NAB Markets acts in a principal capacity, we act as an arm's length party to transactions with our counterparties. NAB will be truthful in its statements about any facts, but its statements should not be construed as recommendations or investment, tax, accounting, legal or other advice. A counterparty is expected to independently evaluate the appropriateness of any transaction based on the counterparty's own facts and circumstances and its assessment of the transaction's merits and execute the transaction based upon its own independent determination of the transaction.

## *Customer Orders*

When NAB Markets is willing to work a counterparty's "order" (as such term is used herein) at a price (such as a limit order), NAB is indicating a willingness to attempt to enter into the trade at the price requested by the counterparty. NAB will exercise its discretion appropriately in deciding whether to work an order, which orders it would be willing to execute, when it would be willing to execute them, and how it would execute them, including whether to execute all or part of the order unless we have otherwise expressly agreed to different terms of execution. As such, NAB's receipt of an order or any indication of working an order received from a counterparty does not create a contract between the counterparty and NAB that commits NAB to execute any or all of the order in any particular way, nor is it a contract that binds the counterparty to execute the trade with NAB at the order price.

As it relates to timing, NAB may look for market opportunities that satisfy both a price where we can execute a counterparty's order at the counterparty's desired price and earn a reasonable return for that activity, including while managing and prioritising other interests, positions and executions for NAB and other counterparties. When NAB is willing to execute an order with a counterparty, the price at which NAB Markets would do so may include a spread or markup over the price at which NAB transacted, or may have been able to transact, with other counterparties.

## *Market Making*

As a market maker or liquidity provider in Financial Products that handles a portfolio of positions for multiple counterparties' competing interests, as well as NAB's own interests, NAB acts as principal and may trade prior to or alongside a counterparty's transaction to execute transactions for NAB or to facilitate executions with other counterparties, to manage risk, to source liquidity or for other reasons. These activities can have an impact on the prices we offer a counterparty on a transaction and the availability of liquidity at levels necessary to execute counterparty orders. They also can trigger stop loss orders, barriers, knock-outs, knock-ins and similar conditions. In conducting these activities, NAB endeavours to avoid undue market impact.

In addition, as a market maker or liquidity provider in Financial Products, NAB may receive requests for quotations and multiple orders for the same or related Financial Products. NAB acts as principal and may seek to satisfy the requests of all of its counterparties and its independent risk management objectives, but it retains discretion with respect to how to satisfy its counterparties, including with respect to order execution, aggregation, priority and pricing. NAB is not required to disclose to a counterparty when the counterparty attempts to leave an order that NAB is handling other counterparties' orders or NAB orders ahead of, or at the same time as, or on an aggregated basis with, the counterparty's order. NAB is under no obligation to disclose to a counterparty why NAB is unable to execute the counterparty's order in whole or in part, provided that NAB will be truthful if we agree to disclose such information.

## *Pricing and Mark-Up*

Unless otherwise expressly agreed, any firm or indicative bid, offer or price quoted by NAB to a counterparty is an "all-in" price, inclusive of any spread or markup above the price at which NAB may be able to transact, or has transacted, with other counterparties, regardless of the circumstances under which a counterparty receives or otherwise learns of a price.

NAB's sales and trading personnel are not obligated to disclose the amount of revenue NAB expects to earn from a transaction, nor are they required to disclose the components of NAB'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 with the counterparty if we choose to make a disclosure about whether and how much markup is included in the price.

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

When solicited for, and prior to the execution of, a transaction, NAB may risk-mitigate or hedge any exposure that would be created by such transaction.

NAB has discretion to offer different prices or services to different counterparties for the same or substantially similar transactions.

It should be expected that NAB'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 NAB's market-making positions, and for the benefit of NAB's trading positions and the handling of other counterparty transactions.

## Information Handling

NAB protects the confidentiality and security of counterparty information. NAB has policies, procedures and controls that are designed to protect a counterparty's confidential information. However, a counterparty should understand that NAB makes use of information provided to it as principal in order to risk manage portfolios and transactions. Specifically, unless otherwise expressly agreed, NAB may use the economic terms of a transaction (but not the counterparty's identity) as part of the process of sourcing liquidity and/or executing risk-mitigating transactions. In addition, as part of its obligations as a regulated entity, NAB also shares counterparty information as required by its global regulators.

With respect to wholesale or block futures trades on futures exchanges, NAB Markets may disclose a counterparty's identity and transaction terms to employees at NAB, including trading personnel involved in the transaction, to facilitate the execution of the wholesale or block trade, unless we expressly agree otherwise.

With regard to executed transactions, NAB analyses this information on an individual and aggregate basis and may use the information for a variety of purposes, including counterparty risk management, business strategy, sales coverage, and counterparty relationship management. We also may analyse, comment on, and disclose information regarding executed transactions, as appropriate and on an anonymized 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.

## Complaints and Disputes

If you have a dispute with us, dissatisfied with the service that NAB has provided or how we manage our business please contact NAB Markets Management Assurance by emailing [markets.management.assurance@nab.com.au](mailto:markets.management.assurance@nab.com.au).