**Internal Crossing Price**

* There are no specific rules stating which prices can be used for off-market (off-order book) internal crossings.
* However, under the market integrity rule, market participants are obligated to always take reasonable steps to achieve the best outcomes for their clients.
* This applies to both on-market and off-market trading, meaning internal crossings are also subject to this rule.
* However, clients can still trade without achieving the best outcome (if they wish), provided they have given clear instructions to the market participants.

Here is the summary of the “Best Execution Obligation” on ASIC Market Integrity Rule:

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| --- | --- |
| **Summary** | **Rules** |
| Market participants must take reasonable steps to obtain **best outcome** for client (market integrity rule 3.8.1). | RG 265.130  Under Rule 3.8.1, a market participant must take reasonable steps when handling and executing an order in relevant products to obtain the best outcome for its client. For a retail client, the best outcome means the best total consideration (which market participants may interpret as best price: see RG 265.140), taking into account client instructions. For wholesale clients, other outcomes may be relevant—including speed, likelihood of execution and any other relevant considerations (or any combination of these outcomes). |
| The obligation also applies to off-market trade (including internal crossing) | RG 265.132  The obligation to take reasonable steps to obtain the best outcome for clients applies equally to trading on a pre-trade transparent order book of a licensed market and to trading off an order book under an exception to pre-trade transparency: |
| **Retail Clients**  Best outcome for retail clients can be interpreted as the best price available (RG 265.135 and RG 265.140).  On off-market trade, market participants can consider improving the best displayed price. (RG 265.143) | RG 265.135  For a retail client, the best outcome means the best total consideration: Rule 3.8.1(2)(a). Total consideration is defined as:  (a) the purchase price paid by the client (for a buy order) (i.e. unit price multiplied by volume) plus transaction costs; or  (b) the sale price received (for a sell order) (i.e. unit price multiplied by volume) minus transaction costs.  RG 265.140  Market participants may interpret total consideration solely as the best purchase or sale price of a relevant product while there are not material differences in transaction costs between licensed markets. We expect taking reasonable steps to obtain the best price will be simpler for market participants to fulfil and simpler for retail clients to monitor. Market participants choosing to interpret total consideration as best price should reflect this in their policies and procedures and disclose it to clients  RG 265.143  For transactions matched or executed off an order book under an exception to pre-trade transparency, market participants should consider the benefits to clients of trying to improve on the best displayed price across all order books to the extent this is possible for a particular relevant product. Where a market participant acts on behalf of both clients to a transaction and where a duty of best execution is owed to both clients, the market participant should consider whether it is possible to improve on the price for both clients. Since 26 May 2013, market participants relying on the exception under Rule 6.1.1(2)(c) have to provide meaningful price improvement when the ‘trade with price improvement’ rule applies. For example, if the best displayed bid and offer are $5.04 and $5.08, it would be possible to improve on the prices by trading at $5.05, $5.06 or $5.07. |
| **Wholesale client**  Best outcome for retail clients may vary, taking into consideration price, cost, speed, execution certainty  However, market participant can nominate best price as the best outcome (RG 265.152) | RG 265.152  A market participant may nominate best price or best total consideration as the best outcome for its wholesale clients rather than other outcomes where it considers price or total consideration is the best outcome for its clients. |

**Example on CLSA Crossing System**

**A close-up of text

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