

Australian Financial Services Licence

MACQUARIE BANK LIMITED

ABN: 46 008 583 542

Licence No: 237502

was licensed as an Australian Financial Services Licensee pursuant to section 913B of the Corporations Act 2001. The conditions of the licence are hereby varied from the date hereunder. The licensee shall continue to be licensed as an Australian Financial Services Licensee subject to the conditions and restrictions which are prescribed, and to the conditions contained in this licence and attached schedules.

Effective 17 March 2016

Authorisation

1. This licence authorises the licensee to carry on a financial services business to:
 - (a) provide financial product advice for the following classes of financial products:
 - (i) deposit and payment products including:
 - (A) basic deposit products;
 - (B) deposit products other than basic deposit products; and
 - (C) non-cash payment products;
 - (ii) derivatives;
 - (iii) foreign exchange contracts;
 - (iv) general insurance products;
 - (v) debentures, stocks or bonds issued or proposed to be issued by a government;
 - (vi) interests in managed investment schemes including:
 - (A) investor directed portfolio services;
 - (vii) securities;
 - (viii) standard margin lending facility;
 - (ix) superannuation;
 - (x) Australian carbon credit units;
 - (xi) eligible international emissions units; and
 - (xii) financial products limited to:
 - (A) miscellaneous financial investment products;
 - (b) deal in a financial product by:
 - (i) issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:
 - (A) deposit and payment products including:
 - (1) basic deposit products;
 - (2) deposit products other than basic deposit products; and
 - (3) non-cash payment products;
 - (B) derivatives;
 - (C) foreign exchange contracts;
 - (D) general insurance products;
 - (ii) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:
 - (A) deposit and payment products including:
 - (1) basic deposit products;
 - (2) deposit products other than basic deposit products; and
 - (3) non-cash payment products;
 - (B) derivatives;
 - (C) foreign exchange contracts;
 - (D) general insurance products;



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- (E) debentures, stocks or bonds issued or proposed to be issued by a government;
- (F) interests in managed investment schemes including:
 - (1) investor directed portfolio services;
- (G) securities;
- (H) standard margin lending facility;
- (I) superannuation;
- (J) Australian carbon credit units;
- (K) eligible international emissions units; and
- (L) financial products limited to:
 - (1) miscellaneous financial investment products; and
- (iii) underwriting:
 - (A) interests in managed investment schemes; and
 - (B) an issue of securities;
- (c) make a market for the following financial products:
 - (i) foreign exchange contracts;
 - (ii) derivatives;
 - (iii) debentures, stocks or bonds issued or proposed to be issued by a government and/or debentures issued by any other body;
 - (iv) Australian carbon credit units;
 - (v) eligible international emissions units; and
 - (vi) limited to financial products other than:
 - (A) derivatives;
 - (B) foreign exchange contracts; and
 - (C) debentures, stocks or bonds issued or proposed to be issued by a government and/or debentures issued by any other body; and
- (d) provide the following custodial or depository services:
 - (i) operate custodial or depository services other than investor directed portfolio services;to retail and wholesale clients.



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Authority to use Broker Terms

2. The licensee:

- (a) is authorised to assume or use the following expression(s) or any other like word or expression (whether or not in English) that is of like import to that expression:
 - (i) **Futures Broker;**
only while the licensee continues to meet the eligibility requirements under subsection 923B(3) and ASIC would be able, under section 923B, to impose a condition authorising its assumption or use; and
- (b) must notify ASIC within 10 business days of any matter which would prevent:
 - (i) the licensee from meeting the eligibility requirements under subsection 923B(3); or
 - (ii) ASIC from imposing a condition authorising the licensee to use the expression(s) set out in paragraph 2(a) above under subsection 923B(3).

Compliance Measures to Ensure Compliance with Law and Licence

3. The licensee must establish and maintain compliance measures that ensure, as far as is reasonably practicable, that the licensee complies with the provisions of the financial services laws.

Proceeding No. 2016/1249 - Orders

4. On 10 March 2016, Macquarie Bank Limited (Macquarie) lodged an application for review of ASIC's decision to impose Conditions 5 to 11 on its Australian financial services licence numbered 237502 (AFS licence) with the Administrative Appeals Tribunal (AAT). Macquarie also sought a stay of ASIC's decision until the determination of its application for review by the AAT (Stay Application). On 15 March 2016 the AAT granted the Stay Application. Therefore Macquarie is not required to comply with Conditions 5 to 11 of its AFS licence until the determination of its application for review by the AAT.

Appointment of Independent Expert

5. By no later than 5:00pm on 6 April 2016 the licensee must engage an Independent Expert to conduct the Independent Expert Review and prepare the Independent Expert Report.
6. The licensee must not appoint an Independent Expert under paragraph 5 of this licence condition unless:
- (a) the appointment, and the terms of the Independent Expert's retainer have been approved by ASIC, in writing, prior to the appointment;
 - (b) the Independent Expert has expertise regarding the Client Money Requirements, compliance, corporate governance, regulatory audits and financial services; and
 - (c) the Independent Expert and the Independent Expert's staff are, at the time of the appointment, and at all material times, independent of the licensee, its related bodies corporate and their officers.
7. The licensee must ensure the Independent Expert's terms of engagement:



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- (a) include a term requiring the Independent Expert to conduct the Independent Expert Review in accordance with paragraph 8 of this licence condition;
- (b) include a term requiring the Independent Expert to produce by 5:00pm on 9 May 2016, or such later date as may be agreed between ASIC and the Independent Expert, the Independent Expert Report in accordance with paragraph 9 of this licence condition;
- (c) include a timetable for the delivery of a report on the progress of the Independent Expert Review;
- (d) include a term requiring the Independent Expert to comply, to the extent applicable, with Practice Note CM 7 'Expert witnesses in proceedings in the Federal Court of Australia' issued by the Federal Court of Australia;
- (e) permit the Independent Expert, to the extent that is reasonable, to have access to its books, to interview employees, contractors, agents and/or consultants;
- (f) permit the Independent Expert to consult with ASIC and disclose to ASIC information obtained by the Independent Expert in conducting the Independent Expert Review;
- (g) include a statement to the effect that the work of the Independent Expert is being carried out for the licensee and ASIC, and acknowledging ASIC is relying on the work of the Independent Expert;
- (h) include a term that provides ASIC is entitled to be informed of and copied into all communications between the licensee and the Independent Expert, including but not limited to negotiations about fees;
- (i) include a term that the licensee give the Independent Expert any information, document or explanation reasonably requested by the Independent Expert in relation to any matter in any way connected with the work of the Independent Expert in conducting the Independent Expert Review;
- (j) include a term that the Independent Expert must notify the licensee and ASIC immediately if the Independent Expert or the Independent Expert's staff becomes aware of information that adversely affects their ability to exercise objective and impartial judgment in relation to the engagement. This includes, but is not limited to, circumstances where the Independent Expert or the Independent Expert's staff:
 - (i) become aware of any conduct of the licensee, or its past or present directors, officers or employees involving action to exert undue influence on the Independent Expert or staff of the Independent Expert; or
 - (ii) become aware of circumstances the existence of which, may render the Independent Expert or its staff incapable of exercising objective and impartial judgement;
- (k) include a term that the licensee must terminate the Independent Expert's retainer if ASIC advises the licensee that, in ASIC's view, a conflict of interest has arisen during the engagement, or that ASIC has become aware of such a conflict during the engagement, which compromises the Independent Expert's ability to exercise objective and impartial judgment;
- (l) include a term that enables ASIC to publish a summary of the Independent Expert Report; and
- (m) may be varied only with the prior written consent of ASIC.

Independent Expert Review

8. The Independent Expert Review must:



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- (a) identify the causes of breaches of the Client Money Requirements;
- (b) test the effectiveness, in ensuring compliance with the Client Money Requirements, of the licensee's controls, systems and processes for the handling of Client Money;
- (c) test the effectiveness, in ensuring compliance with section 912D of the Corporations Act, of the licensee's controls, systems and processes for breach reporting under the Corporations Act; and
- (d) identify deficiencies (if any) in the licensee's controls, systems and processes referred to in subparagraphs 8(b) and 8(c) of this licence condition.

Independent Expert Report

9. The Independent Expert Report must:

- (a) be delivered to ASIC and to the licensee by 5:00pm on 9 May 2016 or such later date as agreed between ASIC and Independent Expert;
- (b) set out the results of the tests, and identify the matters, set out in paragraph 8 of this licence condition;
- (c) assess the effectiveness of the licensee's controls, systems and processes tested under paragraph 8 of this licence condition;
- (d) provide details of deficiencies (if any) identified under the Independent Expert Review including an assessment of the materiality of such deficiencies;
- (e) make recommendations about further controls, systems and processes that are, in the Independent Expert's opinion, necessary for the licensee to implement and for the licensee to have effective controls, systems and processes to comply with the Client Money Requirements and section 912D of the Corporations Act;
- (f) make recommendations on how to rectify the deficiencies, if any, identified in the Independent Expert Review;
- (g) provide a reasonable timeframe, which must not be longer than 12 months or such later date as agreed between ASIC and the licensee, for implementation by the licensee of all the recommendations made in the Independent Expert Report;
- (h) explain any limitations on or qualifications to the opinions expressed in the Independent Expert Report, and the reasons for those qualifications;
- (i) provide details of the Independent Expert's qualifications and the material relied upon for the Independent Expert Report;
- (j) clearly and fully state all assumptions of fact made by the Independent Expert;
- (k) provide reasons for each conclusion made in the Independent Expert Report;
- (l) include a declaration that the Independent Expert has made all the inquiries which the Independent Expert believes are desirable and appropriate taking into account the scope of the Independent Expert Review in paragraph 8;
- (m) include an opinion about whether any material information which the Independent Expert regards as relevant has, to the Independent Expert's knowledge, been withheld from the Independent Expert; and
- (n) include:



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- (i) the factual premises upon which the Independent Expert Report proceeds; and
- (ii) details of the documents and other materials which the Independent Expert took into account in conducting the Independent Expert Review and preparing the Independent Expert Report.

Implementation of recommendations

10. The licensee must decide, within 60 days (or such later date as agreed between ASIC and the licensee) of receipt of the Independent Expert Report by the licensee, which of the recommendations contained in the Independent Expert Report the licensee proposes to implement.
11. The licensee must, within 7 days of the decision under paragraph 10 of this licence condition, advise ASIC, in writing of:
 - (a) the recommendations the licensee decided not to implement, and why such a decision was made; and
 - (b) the recommendations the licensee decided to implement, including:
 - (i) the specific actions the licensee proposes to take to implement the recommendations;
 - (ii) a timetable for implementation of each recommendation that specifies the date by which each recommendation will be implemented; and
 - (iii) identifying the allocation of sufficiently qualified and skilled staff to implement the recommendations.

Training Requirements for Representatives

12. The licensee must for any natural person who provides financial product advice to retail clients on behalf of the licensee (including the licensee if he or she is a natural person):
 - (a) identify the tasks and functions that person performs on behalf of the licensee; and
 - (b) determine the appropriate knowledge and skills requirements required to competently perform those tasks and functions; and
 - (c) implement procedures for continuing training.
13. The licensee must ensure that any natural person who provides financial product advice to retail clients on behalf of the licensee (including the licensee if he or she is a natural person):
 - (a) has completed training courses at an appropriate level that are or have been approved by ASIC in writing that are relevant to those functions and tasks; or
 - (b) has been individually assessed as competent by an assessor that is or has been approved by ASIC in writing; or
 - (c) in respect of financial product advice on basic deposit products and facilities for making non-cash payments that are related to a basic deposit product or First Home Saver Accounts issued by an authorised deposit-taking institution (i.e. FHSA deposit accounts), has completed training courses that are or have been assessed by the licensee as meeting the appropriate level that are relevant to those functions and tasks.



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14. Condition 13 does not apply in relation to:

- (a) a natural person who is a customer service representative and who provides financial product advice:
 - (i) derived from a script approved by a natural person who complies with paragraphs 13(a), (b) and (c) ("qualified person"); or
 - (ii) under the direct supervision of a qualified person present at the same location; or
- (b) a natural person who is a para-planner or trainee adviser and who provides advice under the direct supervision of a qualified person who is, in addition to the licensee, responsible for:
 - (i) ensuring that any financial product advice that is provided by the para-planner or trainee adviser for which a Statement of Advice must be given, is reflected in a Statement of Advice that has been reviewed by the qualified person before the Statement of Advice is given, to ensure that the Statement of Advice would comply with all the requirements of the Act; and
 - (ii) managing and leading any verbal explanation of the financial product advice to the client,

where the licensee has established procedures to ensure that the natural person does not provide financial product advice to retail clients on behalf of the licensee, other than in the manner specified in this paragraph, and the licensee monitors whether or not those procedures are effective.

15. Condition 13 does not apply in relation to financial product advice:

- (a) given to retail clients in advertising to which section 1018A applies, provided that:
 - (i) this licence authorises the provision of financial product advice; and
 - (ii) a responsible officer of the licensee approves such advertising before its publication or dissemination to retail clients; or
- (b) for which there is an exemption under the Act from the obligation to hold a licence.

Notification to Current or Former Representative's Clients

16. Where, under Division 8 of Part 7.6:

- (a) ASIC makes a banning order against a current or former representative of the licensee; or
 - (b) the Court makes an order disqualifying a current or former representative of the licensee;
- the licensee must, if directed in writing by ASIC, take all reasonable steps to provide the following information in writing to each retail client to whom the representative had provided personal advice within 3 years prior to the date of the banning order or disqualification order:
- (c) the name of the representative; and
 - (d) any authorised representative number allocated to the representative by ASIC; and
 - (e) the terms of the banning or disqualification order; and
 - (f) contact details of the licensee for dealing with enquiries and complaints regarding the banning or disqualification or the conduct of the representative as a representative of the licensee.



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Requirements for a Body Regulated by APRA

17. The licensee must be a body regulated by the Australian Prudential Regulation Authority ("APRA").
18. Where the licensee can no longer meet, or has breached, condition 17 of this licence, the licensee must give a written report to ASIC pursuant to subsection 912D(1) which includes:
 - (a) the date on which the licensee ceased to be a body regulated by APRA; and
 - (b) the reasons why the licensee is no longer a body regulated by APRA.

Audit Opinion on Financial Requirements

19. The licensee must lodge with ASIC an opinion by a registered company auditor ("the audit opinion") addressed to the licensee and ASIC:
 - (a) for each financial year, at the same time the licensee is required to lodge a balance sheet under Part 7.8; and
 - (b) for any period of time that ASIC requests, by the date ASIC requests the audit opinion to be lodged;that states whether for the relevant period on a positive assurance basis the licensee was a body regulated by APRA at the end of the financial year or for any period of time that ASIC requests.

External Disputes Resolution Requirements

20. Where the licensee provides financial services to retail clients, the licensee must be a member of one or more External Dispute Resolution Scheme(s) ("EDRS") which covers, or together cover, complaints made by retail clients in relation to the provision of all of the financial services authorised by this licence.
21. Where the licensee ceases to be a member of any EDRS, the licensee must notify ASIC in writing within 3 business days of the following matters:
 - (a) the date the licensee ceased membership of the EDRS(s); and
 - (b) the reasons the licensee's membership of the EDRS(s) has ceased (including circumstances where the EDRS is no longer operating, failure by the licensee to renew their membership of the EDRS or where the EDRS has terminated the licensee's membership of the EDRS); and
 - (c) details of the new EDRS(s) the licensee intends to or has joined (including the date the membership commences and the name of the EDRS); and
 - (d) details that provide confirmation that the licensee is covered by EDRS(s) covering complaints made by retail clients in relation to the provision of all of the financial services authorised by this licence.

Agreement with Holder of Financial Product on Trust

22. Until 1 November 2015 if the licensee:
 - (a) operates a registered scheme as a responsible entity and was authorised to operate a registered scheme as a responsible entity before 2 January 2014; or



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- (b) operates an IDPS as an IDPS operator and first held IDPS property, or first arranged for IDPS property to be held, before 2 January 2014; or
 - (c) provides a custodial or depository service and was authorised to do so before 2 January 2014;
and in the course of operating that scheme or IDPS or providing that service the licensee enters into an arrangement:
 - (d) with another person ("holder") to hold scheme property, IDPS property or to hold financial products on trust for or on behalf of the licensee or another person; or
 - (e) as a responsible entity or IDPS operator in that capacity with another person ("master custodian") under which the master custodian is authorised to arrange for a third person ("subcustodian") directly or indirectly to hold scheme property or IDPS property; or
 - (f) with a subcustodian arranged by a master custodian;
- the licensee must ensure that at all times:
- (g) the arrangement is covered by a contract that is in writing; and
 - (h) the contract clearly specifies:
 - (i) the nature of the arrangement and the obligations of each party; and
 - (ii) the rights that the parties will have in relation to ongoing review and monitoring of the holder or any subcustodian, or for an agreement made by the licensee with a master custodian ("master agreement"), the master custodian and the standards against which their performance will be assessed; and
 - (iii) how the holder, any subcustodian or, for a master agreement, the master custodian will certify that it complies with, and will continue to comply with, the requirements of ASIC Regulatory Guide 133 applying as at 31 October 2013 when read in conjunction with ASIC Regulatory Guides 148 and 167 applying as at 31 October 2013; and
 - (iv) how instructions will be given to the holder, subcustodian or for a master agreement, the master custodian; and
 - (v) how the client of the licensee will be compensated if the client suffers any loss due to a failure by the holder, any subcustodian or, for a master agreement, the master custodian to comply with its duties or to take reasonable care based on the standards applying in the relevant markets for the assets held, and the extent to which the holder, any subcustodian or, for a master agreement, the master custodian must maintain a minimum level of professional indemnity insurance; and
 - (vi) that the holder, any subcustodian, and for a master agreement, the master custodian is prohibited from taking a charge, mortgage, lien or other encumbrance over, or in relation to, the assets held under the arrangement unless it is for expenses and outlays made within the terms of the contract (but not including any unpaid fees of the holder, master custodian or subcustodian) or in accordance with the licensee's instructions; and
 - (vii) in the case of a responsible entity or IDPS operator who has a master agreement, what should be in the written contract with any subcustodian used in accordance with these conditions, including the liability of the subcustodian to the master custodian and the licensee when acts or omissions of the subcustodian are in breach of the subcustodian's obligations; and



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- (viii) how records of the assets held will be kept and maintained by the holder, any subcustodian or, for a master agreement, the master custodian; and
- (ix) requirements for reporting by the holder, any subcustodian or, for a master agreement, the master custodian, including notifications of any dealing in or transfers of the assets; and
- (x) requirements for the holder to provide all reasonable access and assistance to any registered company auditor engaged to conduct an audit in relation to the licensee.

The contract is not required to contain the matters specified in paragraph (iii), (v) or (vi) or to be in writing to the extent that the licensee establishes by documentary evidence that it is not practicable for the licensee to:

- (a) hold the relevant financial products (being property outside Australia) itself; or
- (b) engage a custodian that is willing to include such matters in the contract to hold that property on reasonable commercial terms;

and provided that the licensee has disclosed to the client that these terms will not be included.

Property

23. The licensee must ensure that at all times in relation to any custodial or depository service that the licensee provides other than as the operator of an IDPS, if the licensee was authorised to provide the custodial or depository service before 2 January 2014, until 1 January 2015 the holder of any property complies with the requirements of ASIC Regulatory Guide 133 applying as at 31 October 2013, except requirements expressed to apply to duties under s601FC(1)(i), when read with ASIC Regulatory Guides 148 and 167 applying as at 31 October 2013, and maintains proper records in relation to the financial products held.

Note: Regarding conditions 22 and 23, refer to Class Order 13/1410 as at the date of this licence and as amended or replaced by any disallowable legislative instrument.

Prohibition to Operate an MDA Service

24. The licensee must not provide an MDA service to a retail client except when operating a registered scheme.

Retention of Financial Services Guides, Statements of Advice and Material Relating to Personal Advice

25. Where the licensee provides or has provided financial product advice to retail clients, the licensee must ensure that copies (whether in material, electronic or other form) of the following documents are retained for at least the period specified:

- (a) each Financial Services Guide ("FSG") (including any Supplementary FSG) given by or on behalf of the licensee, or by any authorised representative of the licensee while acting in that capacity - for a period commencing on the date of the FSG and continuing for at least 7 years from when the document was last provided to a person as a retail client; and

Note: Where the same FSG is given numerous times by or on behalf of the licensee, or by any authorised representative of the licensee while acting in that capacity, it will satisfy paragraph (a) if at least one copy of



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each FSG used by the licensee or authorised representative from time to time is kept together with a record of the period of time during which the FSG was being used.

- (b) any record of advice under section 946AA provided by or on behalf of the licensee, or by any authorised representative of the licensee while acting in that capacity - for a period of at least 7 years from the date the document was provided to the client; and
- (c) any record of advice required to be kept by the licensee or by any authorised representative of the licensee while acting in that capacity under section 946B(9) – for a period of at least 7 years after the day on which the advice is provided.

Note: Where personal advice was provided to retail clients on or before 30 June 2013, the requirements of the "Retention of Financial Services Guides, Statements of Advice and Material Relating to Personal Advice" condition that were in effect at the time the advice was provided remain applicable.

26. The licensee must establish and maintain measures that ensure, as far as is reasonably practicable, that it and its representatives comply with their obligation to give clients an FSG as and when required under the Act. The licensee must keep records about how these measures are implemented and monitored.

Terms and Definitions

In this licence references to subparagraphs, paragraphs, subsections, sections, Divisions, Parts and Chapters are references to provisions of the Corporations Act 2001 ("the Act") unless otherwise specified. Headings contained in this licence are for ease of reference only and do not affect interpretation. Terms used in this licence have the same meaning as is given to them in the Act (including, if relevant, the meaning given in Chapter 7) and the following terms have the following meanings:

client money means money to which section 1017E or Subdivision A of Division 2 of Part 7.8 of the Corporations Act applies.

client money account means an account that meets the requirements of sections 981B and 981C Corporations Act.

client money requirements means the requirements in respect of Client Money set out in section 1017E or Subdivision A of Division 2 of Part 7.8 of the Corporations Act.

customer service representative means call centre staff or front desk staff who deal with initial queries from customers.

derivative means "derivatives" as defined in section 761D (including regulation 7.1.04 of the Corporations Regulations) and:

- (a) includes "managed investment warrants" as defined in this licence; and
- (b) excludes "derivatives" that are "foreign exchange contracts" as defined in this licence.



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disallowable legislative instrument means any disallowable legislative instrument within the meaning of the Legislative Instruments Act 2003.

foreign exchange contracts means "foreign exchange contracts" as defined in section 761A that are financial products and includes "derivatives", as defined in section 761D (including regulation 7.1.04 of the Corporations Regulations), that are foreign exchange contracts.

IDPS means an investor directed portfolio service that has the same meaning as in Class Order 13/763 as at the date of this licence and as amended or replaced by any disallowable legislative instrument.

IDPS property, in relation to an IDPS, means property acquired or held through an IDPS other than property held by a client of the IDPS.

independent expert means the expert required to be appointed under conditions 5 and 6 of this licence.

independent expert report means the report prepared by the Independent Expert under condition 9 of this licence.

independent expert review means the review conducted by the Independent Expert under condition 8 of this licence.

managed investment warrant means a financial product:

- (a) that is a financial product of the kind referred to in subparagraph 764A(1)(b)(ii) or 764A(1)(ba)(ii); and
- (b) would be a derivative to which section 761D applies apart from the effect of paragraph 761D(3)(c); and
- (c) that is transferable.

MDA service means a service with the following features:

- (a) a person ("the client") makes client contributions; and
- (b) the client agrees with another person that the client's portfolio assets will:
 - (i) be managed by that other person at their discretion, subject to any limitation that may be agreed, for purposes that include investment; and
 - (ii) not be pooled with property that is not the client's portfolio assets to enable an investment to be made or made on more favourable terms; and
 - (iii) be held by the client unless a beneficial interest but not a legal interest in them will be held by the client; and
- (c) the client and that other person intend that the person will use client contributions of the client to generate a financial return or other benefit from the person's investment expertise.



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miscellaneous financial investment product means a facility:

- (a) through which, or through the acquisition of which, a person makes a financial investment as defined in section 763B; and
- (b) that is not otherwise a financial product under section 764A.

Registered Independent Option's Trader means a "Registered Independent Options Trader" as defined under the operating rules of the relevant market of Australian Stock Exchange Limited ("ASX").

secured property has the same meaning as in paragraph 761EA(2)(c).

transferred securities has the same meaning as in paragraph 761EA(5)(a).



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