

International Share Trading

October 2021



What are the Canstar International Share Trading Star Ratings

Canstar's *International Share Trading Star Ratings* use a sophisticated and unique rating methodology that compares both cost and features across international share trading platforms. Canstar star ratings represent a shortlist of financial products, enabling consumers to narrow their search to products that have been assessed and ranked.

What types of products are evaluated?

To be eligible for inclusion in the *Canstar International Share Trading Star Ratings*, the provider must:

- Offer trades on international exchanges in at least the US.
- Offer online share trades in the US.

How are the Star Ratings calculated?

Each international share trading platform reviewed for the *Canstar International Share Trading Star Ratings* is awarded points for its comparative pricing and for the array of features attached to the product. Points are aggregated to achieve a price score and a feature score.

To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of costs and features in determining the products offering outstanding value. This method can be summarised as:

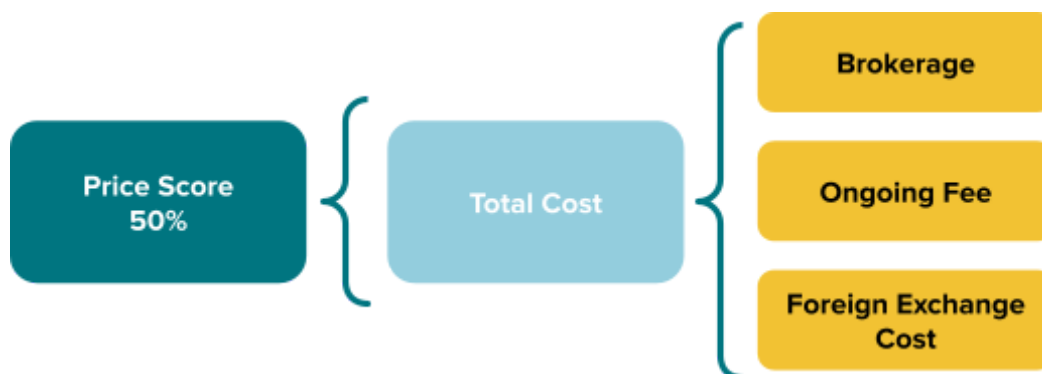
$$\text{Total Score} = \text{Price Score} + \text{Feature Score}$$



Price Score

The price score takes into account brokerage costs & foreign exchange costs per trade for the international share trading account based on 100 hypothetical trades in the US as well as any ongoing fees.

Products are compared and the product with the lowest cost is awarded the highest price score. All other products are awarded a relative score in comparison to the lowest cost product.



Brokerage

To capture and compare the brokerage involved in international trades across various providers, Canstar uses a transaction simulation which models 100 hypothetical trades each in the US. A skewed distribution is applied. Across the 100 hypothetical scenarios, 95% of those are normally distributed between the values of \$5,000 and \$25,000, while 5% lie between \$25,000 and \$100,000.

Brokerage is calculated in one of two ways; the most common is based on total trade value (can be \$ or %) and the other is calculated on trade volume (i.e. per share). Brokerage based on trade volume only applies for some US trades.

The following values are used to calculate trade value based brokerage:

Distribution points	Transaction value*
Minimum	USD \$5,000
Average	USD \$15,000**
Maximum	USD \$100,000

*A skewed distribution is applied. Across the 100 hypothetical scenarios, 95% of those are normally distributed between the values of \$5,000 and \$25,000, while 5% lie between \$25,000 and \$100,000.

**This is the targeted average and the actual average is higher due to the skew in distribution.

For providers that calculate brokerage based on trade volume, 4 hypothetical stocks are used in conjunction with the transaction values above to calculate the number of shares per trade. From this the brokerage is calculated. Details regarding the four hypothetical stocks are outlined below:

Hypothetical US Company	Share Price
Company 1	USD \$20.00
Company 2	USD \$50.00
Company 3	USD \$150.00
Company 4	USD \$300.00

Please note some providers charge brokerage and ongoing fees in AUD or USD. In these instances, the average exchange rate from 8 observations is used and all brokerage and fees are calculated back into AUD.

Ongoing Fee:

To capture the ongoing costs involved in accessing the platform Canstar considers any ongoing fees attached to the platform. When the international share trading platform requires a domestic trading account, the ongoing fee attached to the domestic account is included in the ongoing fee.

Foreign Exchange Cost:

The Foreign Exchange cost is used to take into account the financial outcome of making an international payment across currencies. There are 100 scenarios based on an average transfer amount of USD \$15,000.

To find the overall cost of purchasing shares internationally, the transaction scenario calculations will consider the exchange rate and the cost to make the transfer.

These costs are benchmarked against a hypothetical cheapest product in the market – one which does not incur transfer fees or commissions with the best average exchange rate observed in our survey period.

Method for calculating Foreign Exchange Cost:

1. Calculate the Net Foreign Currency cost after the costs and exchange rates have been applied.
2. Calculate the Net Cost of the transfer compared to the Spot Rate.



Feature Score

The feature score considers a number of features within seven different categories with individual features allocated points and each category, and subcategory, assigned a weighting. The product with the highest feature score is allocated the maximum score, with all remaining products within the profile score against it. The feature categories and subcategories, with assigned weights are:

Category	Weighting
Opening	5%
Deposit & Settlement	10%
Research	30%
<i>Charting</i>	25%
<i>Company Information</i>	25%
<i>Market Information</i>	20%
<i>Dynamic Trading Platform</i>	20%
<i>Alerts</i>	10%
Trade	30%
<i>Capabilities</i>	40%
<i>Market Access</i>	40%
<i>Margin Loan</i>	20%
Account Management	10%
<i>Account Access</i>	40%
<i>Security</i>	40%
<i>Reporting</i>	20%
Customer Service	10%
<i>Account & Client Services</i>	60%
<i>Education</i>	40%
Closing	5%

How often are products reviewed for Star Ratings and award purposes?

Ratings and awards are recalculated annually based on the latest features offered by each provider. Canstar also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

Does Canstar rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth and insurance products listed below. These Star Ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the Star Ratings as a guide to product excellence. The use of similar Star Ratings logos also builds consumer recognition of quality products across all categories.

Please access the Canstar website at www.canstar.com.au if you would like to view the latest Star Ratings reports of interest.

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| • Landlord insurance | • Personal loans | • Term deposits |
| • Margin lending | • Superannuation | |
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