SAXO BANK'S
BEST EXECUTION POLICY

SAXO BANK

THE SPECIALIST IN TRADING AND INVESTMENT

1   INTRODUCTION

1.1   This policy is issued pursuant to, and in compliance with, EU Directive 2004/39/EC of 21 April 2004 on Markets in Financial Instruments ("MiFID") and the Danish legislation implementing MiFID (the "Rules") that applies to Saxo Bank.

1.2   This policy provides an overview of how Saxo Bank executes orders on behalf of clients, the factors that can affect the timing of execution and the way in which market volatility plays a part in handling orders when buying or selling a financial instrument.

1.3   This policy applies to Saxo Bank's execution of orders on behalf of retail clients and professional clients as defined by the Rules.

1.4   Where Saxo Bank provides a quote to a client or negotiates the terms of an Over-the-Counter ("OTC") transaction with Saxo Bank as counterparty, Saxo Bank will normally not be acting on the client's behalf. In these situations, Saxo Bank will not owe a duty of best execution under the Rules, and this policy will therefore not apply. This policy does not create any obligation on Saxo Bank that it does not have under the Rules.

1.5   Upon acceptance of a client order and when there is no specific client instruction regarding the execution method, Saxo Bank will execute an order in accordance with this policy.

2   FINANCIAL INSTRUMENTS TO WHICH THIS POLICY APPLIES

2.1   This policy applies to financial instruments and products as defined by the Rules, including Stocks, Bonds, Exchange Traded Funds ("ETFs"), Futures, Options, Foreign Exchange Forwards (including rolling FX Spot), Foreign Exchange Options, Contracts For Difference ("CFDs"), Certificates, Warrants and Mutual Funds. Some of these products are due to their nature traded OTC.

2.2   The trading conditions for the above products are available on Saxo Bank's different websites.

3   SAXO BANK'S APPROACH TO BEST EXECUTION

3.1   When executing orders Saxo Bank will take all reasonable steps to obtain the best possible result under the circumstances for the client taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order ("Best Execution").

3.2   When considering the best executing factors, Saxo Bank takes into account:

- the characteristics of the client order;
- the characteristics of the financial instruments that are subject to that order (in particular in relation to OTC financial instruments); and
- the characteristics of the execution venues to which that order can be directed.

3.3   When Saxo Bank executes orders on behalf of retail clients, Best Execution is determined on the basis of the total consideration paid by the client, unless the objective of execution of the order dictates otherwise.

3.4   Whenever there is a specific instruction from or on behalf of a client, Saxo Bank will – to the extent possible - execute the order in accordance with the specific instruction. A specific instruction from a client may prevent Saxo Bank from taking the steps that it has described in this policy to obtain the best possible result for the execution of orders. Trading rules for specific markets may prevent Saxo Bank from following certain of the client's instructions. To the extent that a client instruction is not complete, Saxo Bank will determine any non-specified components of the execution in accordance with this policy.

4 ELEMENTS OF BEST EXECUTION

4.1 The procedure for routing determinations is mainly based on four criteria and is regularly reviewed by Saxo Bank. Hence to determine the best way to execute an order for a client Saxo Bank takes into consideration:

4.1.1 **Speed and Likelihood of the Execution:** Due to the levels of volatility affecting both price and volume, Saxo Bank seeks to provide client orders with the fastest execution reasonably possible although delays may occur.

4.1.2 **Price Improvement and Overall Consideration of Costs:** Orders are routed to market makers and/or market centers where opportunities for price improvement exist. The criteria to be used by other market-makers and/or market centers include:

- automatically matching incoming market and limit orders to pending limit orders;
- crossing transactions where price improvement can be offered to one or both sides of the trade.

4.1.3 **Size Improvement:** In routing orders, Saxo Bank seeks markets that provide the greatest liquidity and thus potential for execution of large orders. Saxo Bank also seeks opportunities for client orders to benefit from order-size commitments offered by third parties.

4.1.4 **Overall Execution Quality:** When determining how and where to route or execute an order, Saxo Bank's traders draw on extensive day-to-day experience with various markets and market makers, focusing on prompt and reliable execution.

5 EXECUTION OF CLIENT ORDERS

5.1 Saxo Bank uses automated systems to route and execute client orders. When a client order is received by Saxo Bank, it is routed to the execution venue that Saxo Bank considers to generally provide the Best Execution or kept in house for products which Saxo Bank trades against its own proprietary desk (e.g. some OTC products). Saxo Bank may execute orders outside regulated markets and multilateral trading facilities.

5.2 For instruments admitted to trading and official listing on a regulated market or stock exchange (i.e. Bonds, Stocks, Futures, Options and ETFs), Saxo Bank routes orders to the exchange, a multilateral trading facility or the like or to selected third parties, re. Section 6.1, for execution.

5.3 For OTC products (CFDs, (rolling) FX Spot, FX Forwards and FX Options), Saxo Bank will trade (as principal) against its own proprietary desk and may in turn route its own orders to other market maker firms. For OTC traded CFDs on single stocks, commodities and bonds execution is benchmarked to the pricing and liquidity on the primary regulated market or exchange of the relevant stock, commodity or bond.

5.4 Prices of non-listed units in Mutual Funds (e.g. unit trusts or open-ended investment companies) are set at a future "valuation point" and the exact price of such units is therefore not known in advance. Saxo Bank will seek to execute orders of such units, be it subscriptions or redemptions, at a price closest to the amount in the client's order as well as in accordance with the fund manager's rounding rules.

5.5 The client's orders may at the discretion of Saxo Bank be aggregated with Saxo Bank's own orders, orders of any of Saxo Bank's associates and/or other clients. Furthermore, Saxo Bank may split the client's orders as well as aggregate orders before executing such. Orders will only be aggregated or split where Saxo Bank reasonably believes it to be unlikely that the aggregation or split generally will be detrimental to any client. Aggregation and split may in single occasions result in the client obtaining a less favorable price than if the client's orders had been executed separately or together, as applicable. Aggregated orders placed by an Introducing Broker (as defined in Saxo Bank's General Business Terms section 1) are allocated to clients in accordance with a predetermined allocation key. Saxo Bank settles any partially filled orders pro rata at an average price.

5.6 There may be delays in execution of orders, including orders placed through online trading systems. Some orders placed through online trading systems may be handled manually. When high traffic in electronic orders causes a back log, Saxo Bank, as well as market makers to which orders are sent for execution, must sometimes discontinue normal automatic execution procedures and turn to manual execution, leading to possible delay in execution. In order to minimize such a risk, Saxo Bank has in place procedures and arrangements which to the furthest extent possible provide for the prompt, fair and expeditious execution of client orders.

6 EXECUTION VENUES CURRENTLY USED

6.1 Saxo Bank is a member of NASDAQ OMX Copenhagen and Chicago Mercantile Exchange ("CME") and additionally uses a number of external financial institutions and brokers in the process of receiving and relaying orders or to directly execute listed financial instruments which are not listed on NASDAQ OMX Copenhagen and CME.

6.2 Saxo Bank has access to a number of exchanges through its order routing vendors.

6.3 A list of the main execution venues including brokers used by Saxo Bank is available on www.saxobank.com as an Appendix to this Policy.

7 EFFECTS ON ORDER EXECUTION

7.1 Clients should be aware of the following risks associated with volatile markets, especially at or near the open or close of the standard trading session:

- Execution at a substantially different price from the quoted bid or offer or the last reported sale price at the time of order entry, as well as partial executions or execution of large orders in several transactions at different prices.
- Delays in executing orders for financial instruments that Saxo Bank must send to external market maker and manually routed or manually executed orders.

- Opening prices that may differ substantially from the previous day's close.
- Locked (the bid equals the offer) and crossed (the bid is higher than the offer) markets, which prevent the execution of client trades.
- Price volatility is one factor that can affect order execution. When clients place a high volume of orders with brokers, order imbalances and back logs can occur. This implies that more time is needed to execute the pending orders. Such delays are usually caused by the occurrence of different factors: (i) the number and size of orders to be processed, (ii) the speed at which current quotations (or last-sale information) are provided to Saxo Bank and other brokerage firms; and (iii) the system capacity constraints applicable to the given exchange, as well as to Saxo Bank and other firms.

7.2 Clients should be aware of the Compliance Order Filters which exchanges install to prevent market errors caused by unintended or erroneous trades. The Compliance Order Filters are defined at the exchange's discretion or by Saxo Bank at the exchange's demand. Orders exceeding the Compliance Order Filters may be subject to latency in the execution due to a need to either have a Compliance Order Filter lifted or have the order split into minor orders.

8 TYPES OF ORDERS

8.1 Given the risks that arise when trading in volatile markets, the client may want to consider using different types of orders to limit risk and manage investment strategies. (It should be noted that the following descriptions of order types may apply only to some and not all types of financial instruments).

8.2 M**arket order**: With a market order the client instructs a financial institution or trading counterparty to execute a trade of a certain size as promptly as possible at the prevailing market price. Financial institutions are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to fill a client's order, the order will most likely be exposed to the risk of execution at a price sub-

stantially different from the price when the order was entered.

Certain exchanges do not support market orders. If the client places a market order in these markets, Saxo Bank will automatically translate the order to an aggressive limit order within a certain percentage limit "in the money". It is the clients' own responsibility to check if the order is traded in the market after order entry. If the client experiences or suspects any errors with his/her order the client should contact Saxo Bank immediately.

Some of Saxo Bank's third party execution brokers may choose to translate market orders on various markets into aggressive limit orders 3 – 5 % in the money. This is often a result of exchange rules applied to protect clients from "bad fills". Saxo Bank cannot be held responsible for missing fills due to such translation performed by third party execution brokers.

8.3   **Limit order:** With a limit order, the client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order may be entered away from the current market price, it may not be executed immediately. A client that leaves a limit order must be aware that he/she is giving up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future. Limit orders may be routed to an exchange without human intervention.

8.4   **Stop order:** Different from a limit order, a stop order allows selling below the current market price or buying above the current market price if the stop price is reached or breached. A stop order is therefore a "sleeping" order until the stop price is reached or breached.

8.4.1   **Trailing stop order:** The trailing stop order is a stop order as described in Section 8.4 but the trailing stop price moves according to parameters set by the client. This way the trailing stop can be used to sell if the price drops more than a specified distance from the highest price traded or to buy if the price trades above a set level from the lowest traded price.

8.4.2   **Stop Limit Order:** A stop limit order is a variation of a stop order as described in Section 8.4 with a lower (higher) limit price to suspend

trading if the price falls (rises) too far before the order is filled restricting trading to a predefined price range.

8.4.3   **Spread Filters:** In order to ensure that the client's Stop Orders is not filled at unreliable prices during short termed periods with abnormally wide bid/ask spreads caused by for instance release of key economic figures Saxo Bank has implemented spread filters preventing order execution when spreads exceeds certain levels. Having the spread filters in place will in general benefit the client, but can in rare instances be in the disfavor of the client.

8.5   **Algorithmic order:** An Algorithmic Order is an order executed by an automated strategy according to specific parameters or conditions. Algorithmic Orders are intended to minimize the market impact created from placing larger orders or achieving a recognized trading benchmark such as VWAP etc. The orders can also be used to follow a volume participation or in general to achieve a better overall execution. Saxo Bank facilitates a number of different algorithmic order types, specific information about these can be found in the information text on the Saxo Trader.

9   REGULAR REVIEW OF EXECUTION QUALITY AND OF EXECUTION VENUES

9.1   Saxo Bank will review this policy annually and whenever a material change occurs that affects Saxo Bank's ability to obtain the best possible result for the execution of client orders.

9.2   Saxo Bank regularly reviews the overall quality of its order executions and its order routing practices, including its order routing vendors and the available exchanges. Saxo Bank will amend this policy on the basis of such reviews if it considers it to be necessary. Any new policy will be made available on Saxo Bank's websites and will be in force as from publication.

10   SAXO BANK'S GENERAL BUSINESS TERMS

10.1   This policy is subject to Saxo Bank's General Business Terms and other business terms

from time to time governing the relationship between the client and Saxo Bank. Further information on order execution, including Saxo Bank's market making function, can be found in Saxo Bank's General Business Terms.