



ORDER EXECUTION POLICY

14th September 2015

Saxo Capital Markets UK Limited is authorised and regulated by the Financial Conduct Authority, Firm Reference Number 551422. Registered address: 26th Floor, 40 Bank Street, Canary Wharf, London E14 5DA. Company number 7413871

1. INTRODUCTION

The Markets in Financial Instruments Directive (2004/39/EC) (“MiFID”) requires us to establish and implement an order execution policy and to provide clients with a copy of that policy detailing the execution arrangements that we employ to comply with our duty to give our clients best execution.

This policy is issued pursuant to, and is in compliance with, that Directive and the rules of the Financial Conduct Authority which is responsible for implementing MiFID in the UK (the “FCA Rules”) and regulating the activities of Saxo Capital Markets UK Limited (“SCML”).

In our dealings with you, we have a general duty to act honestly, fairly and professionally, taking into account your best interest. In relation to order execution, SCML is required to take all reasonable steps to obtain the best possible result when executing client orders or when placing orders with, or transmitting orders to, other entities to execute. The definition of ‘best possible result’ will vary and SCML must take into account a range of execution factors and determine their relative importance based on the characteristics of our clients, the orders that we receive and the markets in which we operate. The factors that we need to consider include but are not limited to price, costs, speed, likelihood of execution and settlement, size, nature and timing of the transactions, clearing robustness or any other consideration relevant to the execution of the order. In some markets, for example, we may need to take into account such matters as the prevailing liquidity of the market in question, credit risk and the tenure of the contract.

We believe that SCML is particularly well placed to provide our clients with best execution in so far as SCML does not have the same degree of conflicts of interest that apply in the case of other intermediaries. Namely, SCML does not engage in any direct or indirect trading in our own name or for our own benefit and therefore our sole priority is the trading interest of our clients. Our single execution venue is our parent company Saxo Bank A/S (Saxo Bank) which has rigorous procedures in place to deliver best execution. In addition, SCML has its own ongoing and independent processes in place for monitoring the quality of execution obtained on your behalf by Saxo Bank.

If you believe that your order has not been executed in line with this policy, then you should contact SCML at the earliest opportunity.

2. SCOPE OF OUR BEST EXECUTION OBLIGATION

This policy will apply to you if we have categorised you, in accordance with MiFID, as a Retail or Professional client or if you are an otherwise categorized client and you have asked for and been assured that we will give you best execution.

Our best execution obligation applies to the following financial instruments and products:

- Bonds (P)¹
- Cash Equities (A)
- CFD Equities (P)
- CFD Indices (P)
- CFD Commodities (P)
- Contract Futures (A)
- Contract Options (A)
- Rolling FX (P)
- FX Options (P)

(A) denotes SCML trade as Agent,

(P) denotes SCML trade as Principal

¹ In exceptional circumstances, for instance when working large orders in highly illiquid bonds, Saxo Bank may execute an order as Agent

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3. EXECUTION OF CLIENT ORDERS

SCML offers execution only trading to our clients and our parent company Saxo Bank executes all SCML client orders on our behalf whether we are acting as principal or agent to the trade. SCML does not execute client orders through any other dealing venue or counterparty. We therefore place reliance on Saxo Bank as our single execution venue though, in accordance with regulatory requirements, SCML remains solely responsible to our clients for taking all reasonable steps to obtain the best possible result for them.

For this reason, SCML requires Saxo Bank, through an arm's length service agreement, to implement processes and procedures to evidence that, as our single execution venue, it will deliver best execution and so enable SCML to meet our best execution obligation to our clients. These processes and procedures include:

- independent monitoring by SCML of the trade execution quality achieved by Saxo Bank in relation to SCML client orders across all MiFID qualifying products for which Saxo Bank acts as SCML's single execution venue;
- the provision by Saxo Bank of in-house and third party monitoring data to SCML for SCML's independent review;
- SCML scrutiny of evidence of the regular and systematic review of the execution venues that Saxo Bank utilizes to meet its own best execution obligations;
- direct SCML periodic review of the quality of Saxo Bank execution measured against that of other comparable venues.

Saxo Bank uses automated systems to route and execute client orders and in this respect we are dependent on Saxo Bank for onward routing of SCML client orders to the appropriate execution venues. When your order is for an Over-the-Counter ("OTC") transaction (SCML acts as principal), the order is routed to Saxo Bank as the sole execution venue and Saxo Bank will trade against its own proprietary desk and may in turn route its own orders to other market maker firms. However, if we transact your order as agent it is automatically routed to an execution venue determined by Saxo Bank to achieve the best execution according to this policy. 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 to selected third parties. There is therefore the possibility that your order may be executed outside a regulated market.

4. SCML'S APPROACH TO BEST EXECUTION

In order to meet our best execution obligation to our clients, we (and in turn Saxo Bank) take into account the following criteria for determining the relative importance of the execution factors:

- the characteristics of the client, including whether you are a retail or professional client;
- the characteristic of the client order;
- the characteristics of the financial instruments that are the subject of the order (in particular, where it relates to OTC financial instruments);
- the characteristics of the execution venues to which that order can be directed;
- the prevailing level of liquidity at the time of execution.

Decisions on order routing are primarily based on the following four execution factors which are taken into consideration in determining the best way to execute an order for a client:

Speed and Likelihood of Execution

Due to the levels of volatility affecting both price and volume, we seek to provide client orders with the fastest execution reasonably possible, taking into account any conditions applying to the client order, although delays may occur. It is for this reason that we have RFQ (Request for Quote) on less liquid OTC markets.

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Price Improvement and Overall Consideration of Costs

Orders are routed by Saxo Bank to execution venues where opportunities for price improvement may exist. The criteria used include:

- automatically matching incoming market and limit orders to pending limit orders;
- crossing transactions where price improvement is offered to one or both sides of the trade;
- the costs of execution on any particular venue.

Order Size

Saxo Bank seeks execution venues 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 the execution venues.

Overall Execution Quality

When determining how and where to route or execute an order, Saxo Bank draws on its extensive experience of dealing for clients across various executing venues on a global basis in terms of securing for SCML clients prompt, sequential, reliable and high quality execution.

When SCML executes orders on behalf of retail clients the best possible result is determined on the basis of **total consideration** paid by the client, unless the objective of execution of the order dictates otherwise. Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order such as venue execution fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

For example, in executing a client order with respect to shares trading on a regulated market, we focus on the net cost (or net proceeds in the case of a sale) of executing the order and, in turn, require Saxo Bank to direct the order to the execution venue providing the best possible result in terms of total consideration. In so doing, while we will usually prioritise price, speed of execution and applicable dealing costs, we may consider the likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction risks or costs and give them preference over the immediate price, speed and direct costs, if they are instrumental in delivering the best possible result in terms of the total consideration and quality of execution for the client. This may, for example, be relevant to a large order executed outside normal trading hours in a relatively illiquid share.

5. RANKING OF EXECUTION FACTORS

The relative ranking of the different execution factors will be dependent upon, for example, the nature of the asset class traded, the liquidity of the relevant market and the time of the trade. This ranking reflects the nuances and differences between markets and exchanges, notably when looking at trading on exchange versus OTC products.

Bonds

Pricing and execution of Bonds is a manual process, with many orders still negotiated over the telephone. When seeking to execute a trade in this asset class, Saxo Bank splits all bonds into one of three baskets based on the relevant bond's liquidity. For highly liquid, Saxo Bank will offer a bid/offer price **equal to or better than** that shown in any attainable firm market (this includes public exchanges to which Saxo Bank has access, as well as OTC counterparts). For bonds with lower liquidity, Saxo Bank will source a minimum of 3 separate quotes to gauge the 'best' price based on the order size. For highly illiquid bonds, Saxo Bank seeks to derive a mid-price based on all indicative pricing information available to them, and then quotes a bid/offer spread to the client factoring in a pre-defined additional spread. The ranking of execution factors for Bonds is:

1. **Price**
2. **Speed & likelihood of execution**
3. **Order size & type**

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Cash Equities

Saxo Bank has access to a number of Smart Order Routers that are able to check multiple different execution venues when trying to execute a Cash Equity Order. Not only does this allow SCML to potentially access better prices, it also gives access to additional liquidity, meaning that there is a greater likelihood of obtaining an execution. The ranking of execution factors for Cash Equities is:

1. **Order size**
2. **Price**
3. **Speed & likelihood of execution**

CFD Equities

In most instances, CFD equity orders are handled in the same manner as cash equity orders, and so the ranking of execution factors is the same (Order size, Price, Likelihood of execution, Speed of execution). The only difference is with regards to some of the largest stocks in major markets, where Saxo Bank can act as a Market Maker to SCML's clients. If a client does not wish to participate in the market in this manner, they are able to set up a Direct Market Access ("DMA") account. CFD Equity orders that are executed on a DMA account will be treated in exactly the same manner as Cash Equity Orders. Please see section [9. DEALING ON QUOTES](#) below for more information on trading OTC derivatives and best execution monitoring.

1. **Order size**
2. **Price**
3. **Speed & likelihood of execution**

CFD Indices

CFD Index prices are Saxo Bank's proprietary prices, which are derived from the relevant underlying Index price, taking into account the cost of carry and liquidity. We calculate our own cost of carry that factors in future expectations of dividends and interest rates, and this can include both internal and external inputs. Please see section [9. DEALING ON QUOTES](#) below for more information on trading OTC derivatives and best execution monitoring. For CFD Indices, the ranking of applicable execution factors is:

1. **Order size**
2. **Price**
3. **Speed of execution**

CFD Commodities

The mid-price of CFD Commodities is a proprietary price derived by Saxo Bank and will generally track that of the relevant underlying exchange traded market. Because there is only one exchange on which to trade the financial instrument that underlies these derivatives, we will consider our price 'correct' when it is in line with the underlying future. There is no opportunity to 'shop around' for price improvement in these markets, due to the fact that there is only a single execution venue. Please see section [9. DEALING ON QUOTES](#) below for more information on trading OTC derivatives and best execution monitoring. For CFD Commodities, the ranking of execution factors is:

1. **Order size**
2. **Price**
3. **Speed of execution**

Contract Futures

Exchange traded futures and other futures traded on a multilateral basis are traded on a centrally regulated venue so the opportunity to 'shop around' for price improvement is limited because of the consequential concentration of the liquidity on those venues. For Contract Futures, the ranking of applicable execution factors is:

1. **Order size**
2. **Price**
3. **Speed of execution**

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Contract Options

Exchange traded options and other options traded on a multilateral basis are traded on a centrally regulated venue so the opportunity to 'shop around' for price improvement is limited because of the consequential concentration of the liquidity on those venues. For Contract Options, the ranking of applicable execution factors is:

1. **Order size**
2. **Price**
3. **Speed of execution**

Rolling FX

Saxo Bank sources a number of quotes from Tier 1 liquidity providers to construct SCML's core mid-price for all Rolling FX currency pairs. As such, the price that we offer at any given time is considered to be our 'best' and will automatically update on a rolling basis to reflect the best price available at the time of trade for the size of your order. We will monitor the algorithms that are used to price these instruments to ensure that the price we show is in line with our stated methodology. Please see section [9. DEALING ON QUOTES](#) below for more information on trading OTC derivatives and best execution monitoring. For Rolling FX, the ranking of execution factors is:

1. **Order size**
2. **Price**
3. **Speed of execution**

FX Options

The pricing of FX Options is complex, with a number of inputs used to construct the option price. FX Options are traded OTC as Principal. Please see section [9. DEALING ON QUOTES](#) below for more information on trading OTC derivatives and best execution monitoring. For FX Options, the ranking of execution factors is:

1. **Order size**
2. **Speed of execution**

6. SPECIFIC INSTRUCTIONS

Upon acceptance of a client order and when there is no specific client instruction regarding the execution method, SCML will execute the order in accordance with this policy. When, however, there is a specific instruction from or on behalf of a client SCML will, to the extent possible, execute the order in accordance with the specific instruction though trading rules for some markets may prevent SCML from following certain parts of the instruction.

To the extent that we execute an order in accordance with a client's specific instruction we consider that we have satisfied our best execution obligation in respect of those aspects of the order to which the specific instruction relates. The fact that a client's specific instruction only covers certain aspects of an order does not release us from our best execution obligations with respect to the other aspects of the order not covered by the instruction. To this extent we will determine any non-specified components of the execution in accordance with this policy.

7. TYPES OF ORDERS

Given the risks that arise when trading in volatile markets, clients may want to consider using different types of orders to limit risk and manage investment strategies. Please note that the following descriptions of order types may apply only to some, and not all, types of financial instruments.

Market 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

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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 which could be substantially 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 client's own responsibility to check if the order is traded in the market after order entry. If the client experiences or suspects any errors with their order the client should contact SCML 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". SCML cannot be held responsible for missing fills due to such translation performed by third party execution brokers.

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 who leaves a limit order must be aware that they are 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. Because the limit price has been specified by you, this element of the order will be excluded from best execution.

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. Because the stop price has been specified by you, this element of the order will be excluded from best execution.

Trailing Stop Order

The trailing stop order is a stop order as described above 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. Because the stop parameters have been specified by you, price will be excluded from best execution.

Stop Limit Order

A stop limit order is a variation of a stop order as described above 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. Because the price has been specified by you, this element of the order will be excluded from best execution.

Spread Filters

In order to ensure that the client's Stop Orders are not filled at unreliable prices during short termed periods with abnormally wide bid/ask spreads caused by, for instance, the 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 to the disadvantage of the client.

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. These 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 platform. The suppliers of these algorithms are constantly aiming to improve them, feeding back real trade data to analyse their performance and implement improvements to help ensure that the algorithm remains fit for purpose. The stated goal of

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each individual algorithm can also be used as a benchmark to evaluate its performance with regards to a given trade.

8. LIST OF EXECUTION VENUES CURRENTLY IN USE

SCML rely on the selection of execution venues by Saxo Bank A/S. A list of execution venues currently used by Saxo Bank A/S is published on their [website](#), and is updated as necessary. Please note that in exceptional circumstances, Saxo Bank may choose to execute at a venue or entity that is not included in the published execution venue list.

SCML regularly and independently reviews the execution venues that Saxo Bank selects, looking at post trade analytics and periodic monitoring, in addition to reviewing the selection process for new and additional venues, in order to provide our clients with an additional and independent monitoring process to help ensure that we are taking all reasonable steps to deliver the best possible result for our clients.

SCML is very conscious that it has a single execution venue, and so we apply rigorous checks to Saxo Bank to ensure that they are consistently able to deliver best execution for our clients

9. DEALING ON QUOTES

When trading OTC derivatives with us, you are trading on 'our' price (SCML are the counterparty to the transaction). There are a number of factors that can be used to construct a derivative price, and these will vary depending on the asset class traded, the nature of the market and the characteristics and terms of the transaction and any special market or credit risks posed by it. We will apply a standardised method of calculation for these types of derivatives to ensure that the price that we are offering at any given time is always considered the best price we can obtain on your behalf. In monitoring best execution for these types of instruments, we will monitor the calculation method to ensure that it is applied consistently at all times.

10. AGGREGATION AND SPLIT

An SCML client's order may at the discretion of Saxo Bank be aggregated with Saxo Bank's own orders, orders of any of SCML's associates and/or their clients. Furthermore, Saxo Bank may split a client order as well as aggregate orders before executing such. Orders will only be aggregated or split where:

- it is unlikely that the aggregating of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and
- it is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order.

Aggregation and split may on some occasions result in the client obtaining a less favorable price than if the client's order had been executed separately or together, as applicable.

11. COMPLIANCE ORDER FILTERS

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 market participants and execution venues at the exchanges demand. Orders that exceed the Compliance Order Filters may be subject to latency in the execution due to the need to either have a Compliance Order Filter lifted or to have the order split into multiple minor orders.

12. QUALITY OF EXECUTION OBTAINABLE AT TIMES OF MARKET STRESS

As indicated earlier in this policy, SCML will, at all times, take all reasonable steps to achieve best execution for our clients and this will apply even during times of market stress. However, sudden losses in market liquidity or at times of market disorder or the impact of political or economic decisions, particularly when they are unforeseeable, can have a severe impact on the achievable quality of execution or even the ability to execute orders itself. This may make it difficult for SCML to

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deliver on a client's traditional expectation of the quality of execution that can be expected in normal market conditions. That said, SCML will continue, during those difficult times, to achieve the best execution we can for our clients and this may include the aggregation of client orders in order to act in the best interests of all clients concerned.

13. REGULAR REVIEW OF THIS POLICY

SCML will review this policy at least annually, and whenever a material change occurs that affects SCML's ability to obtain the best possible result for the execution of client orders. A material change is defined as one of the following:

- addition or removal of an execution venue.
- significant change to the operation of an execution venue.
- addition or removal of an asset class.
- significant change to the way an asset class is traded, priced etc.
- any other factor that affects SCML's ability to obtain the best possible result for the execution of client orders.

SCML's review will take into account the regular reviews of execution quality and execution venues carried out by Saxo Bank A/S on whom SCML relies to route SCML client orders, in addition to the results of the on-going execution quality reviews that SCML itself undertakes using the transaction monitoring data provided to us both by Saxo Bank and by third parties.

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