

## **ORDER EXECUTION POLICY**

The FSA rules require us when executing orders on behalf of clients to take all reasonable steps to obtain the best possible result for clients, taking into account the ‘execution factors’ (described below), and when we pass client orders to another person for execution to take all reasonable steps to obtain the best possible result. The FSA rules require us to provide our clients with appropriate information about the policy we establish to do this, which is known as our order execution policy and obtain our clients’ consent to it. This document has been prepared to provide that information. The FSA Rules require us to notify you of any material changes we make in the future to the policy.

Our policy applies to our retail and professional clients. It applies to orders in relation to financial instruments; such as shares, derivatives, bonds and units.

Whilst the FSA rules require us to take reasonable steps to satisfy ourselves that the arrangements we have in place will provide you with the best possible result on a consistent basis, we cannot guarantee that we will be able to provide you with best execution for every order in relation to which we act on your behalf. Our regulatory obligation to provide you with “best execution” does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us.

If a client gives a specific instruction as to the execution of an order we deal with the order in accordance with the specific instructions, not our order execution policy. If the instructions affect only part of the order, we continue to apply our order execution policy to those aspects not covered by specific instructions.

***Clients should be aware that specific instructions can prevent us from taking steps set out in our order execution policy to obtain the best possible result in respect of the matters covered by those instructions.***

### **The Execution Factors**

Our policy has to take into account a range of different factors which could be relevant to client orders and determine the relative importance of those factors to different orders. The factors that can be relevant to the execution of an order include the prices available, costs of execution, the speed with which a transaction can be done, the likelihood that the transaction will be successfully completed, the size and nature of the transaction. We also have to consider if there are any other factors relevant in a particular case.

For retail clients, we are required to balance these factors so that we are able to deliver the best possible result in terms of the total amount payable or receivable (i.e. both the price of the instrument and any execution costs payable by the client )

In deciding how to rate the importance of the execution factors we take into account:

- (1) the characteristics of the client, including whether it is a retail or professional client;
- (2) the characteristics of the client order - for example, whether the client has specified a particular price limit or markets on which it wishes its order to be executed;
- (3) the type of financial instrument concerned, for example, for some types of instrument there may be only limited markets;
- (4) the characteristics of the venues to which we can send our orders. For example, we may have regard to whether a venue provides us with appropriate settlement arrangements for the transaction.

As a general rule, the effect of the above is that we rank the execution factors in the following order of importance:

- (1) price and any related execution costs;
- (2) speed of execution;
- (3) the size of order (for example, this is relevant if the order is outside normal market size);
- (4) settlement, although generally this is a by priority because in the instruments and markets in which we normally

deal there are efficient settlement and clearing arrangements.

We do not vary our own charges according to the venue and therefore these are irrelevant. (Clients should be aware that where they place orders for extended settlement takes place at a date later than the standard for the market concerned, and transactions may be given loaded pricing by the dealer with whom we place the order.)

Our methodology requires us to exercise commercial judgment and experience in the context of market conditions. Whilst the above lists the criteria and factors we take into account and how we balance them, in any particular case they are applied by the individual dealer using his judgment on the basis of reasonably available information, such as information from broker information providers and data vendors.

There may therefore be cases where the circumstances of the order mean that we have to prioritise the factors in different ways or consider an element that is particular to the order in question, for example if the market is illiquid and in such a case we have to exercise our discretion as to the way in which to achieve the desired result.

In determining what the best possible result is for you, we do not compare the results that would be achieved for you under our order execution policy with those that might be achieved for you by another firm on the basis of its order execution policy.

### **Our Execution Venues; Passing Orders to Third parties**

An execution venue is the term used to describe a place where your order is executed. If we deal with you as principal then we are the execution venue. The schedule of this policy is not exhaustive but lists the third party venues on which we place significant reliance. In some cases we access them direct; where we are not a direct member we access them through a third party.

We select third parties to execute orders by taking into account their ability to execute orders in accordance with our priorities set out above, their ability to deal with us efficiently and the costs involved.

Where the investment concerned is a unit in a regulated collective investment scheme or open-ended investment company, then acquisitions and redemptions of the investment will take place usually with the unit trust manager/investment company itself. For certain types of investment (for example, shares in private companies) there may be no formal venue.

We select the venue we consider the most appropriate for the order taking account of the execution factors. In relation to some financial instruments there may be only one possible execution venue. Where we execute an order on your behalf in such circumstances it will be assumed that we have achieved best execution.

We reserve the right to use other execution venues where we deem it appropriate to do so in accordance with our full execution policy and we can add or remove execution venues from the list. An updated list of execution venues will be made available if requested. We will not notify you separately of any particular changes to venues.

### **Consent**

We are required to obtain your prior consent to our order execution policy. You will be deemed to provide such consent when you instruct us to act on your behalf in relation to an order or, if you only wish us to provide discretionary management services, when you appoint us to provide those services, on or after 1 November 2007.

You will be deemed to provide such consent when you instruct us to act on your behalf in relation to an order. If you are a discretionary management client, we will assume that you consent to our order execution policy unless you notify us to the contrary before 1 November 2007. However, in order to provide our full range of services to you we must obtain your express consent to certain matters and the services we can provide may be affected if you do not sign and return the attached consent form to us.

***We may on occasions execute orders outside an un-regulated market or a multilateral trading facility. Whilst we anticipate that orders will not generally be executed outside an EU regulated market or multilateral trading facility, there may be circumstances in which it is in your best interests to do so. For example this could occur where we deal as principal or where we execute your order on a non-European market. This is one of the matters in respect of which your express consent is required.***

## **LIST OF VENUES**

### **EQUITIES**

London Stock Exchange  
Multilateral Trading Facilities (e.g. AIM)  
Systematic internalisers (e.g. Merrill Lynch)  
Retail Service Providers (RSP)\*

\* An RSP is a facility offered by a market maker at prices and sizes within or at the quote (e.g. Winterflood).

### **BONDS**

Credit Suisse  
Deutsche Bank  
HSBC  
Morgan Stanley  
Royal Bank of Canada  
UBS

### **DERIVATIVES**

Monument Securities  
Cantor CFD's  
City Index

**For further information please contact your Account Executive at Otkritie Securities Ltd.**

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