

## Order Execution Policy

### Introduction

The Markets in Financial Instruments Directive ("**MiFID**") comes into effect on 1 November 2007. MiFID replaces the Investment Services Directive and essentially introduces a single regulatory regime for the provision of investment services across the European Economic Area.

In relation to the execution of a **Client Order** (*see section below*) in a financial instrument listed in MiFID Annex I Section ("**Security**"), KBC Financial Products UK Limited ("**FPUK**") is required under MiFID to have in place an order execution policy that sets out a strategy for obtaining the best possible execution result on a consistent basis as described in MiFID ("**Best Execution**").

This document is designed to provide a summary of the execution arrangements, under the Best Execution requirement, for a Professional Client ("**Client**"), as defined in Annex II of MiFID.

### Client Order

FPUK considers itself to be in receipt of a Client Order when a Client gives us a trading instruction that requires FPUK to act on the Client's behalf i.e. where an agency obligation exists or where we work a trading instruction on a Client's behalf either on a principal or riskless principal basis.

Where FPUK provides either continual quotes, or quotes upon request, which a Client accepts by executing a transaction, we will not, in general, be executing a Client Order. In these circumstances, FPUK will not be acting on the Client's behalf and Best Execution will not apply.

### Client Order Execution Policy

Where FPUK owes a duty of Best Execution, all reasonable steps will be taken to obtain the best possible execution result on a consistent basis.

Subject to any specific Client instruction, FPUK will exercise discretion, based on market experience, knowledge, commercial judgement, the relevant Security and the type of Client Order to obtain the best possible result with regards to the execution of a Client Order.

FPUK will specifically consider one or more of the following elements, in no particular order of importance, when executing a Client Order:

- Price
- Likelihood of execution
- Settlement reliability
- Speed of execution
- Order size
- Costs
- Type of Client Order
- Any other factor impacting the efficiency, continuity and fluidity of the Client Order execution process

In general, Price may be the dominant element when obtaining the best possible execution result for a Client. However, markets, instruments and transaction types vary greatly in terms of liquidity, depth, transparency, certainty, ease and speed of execution etc. FPUK may therefore

take into consideration other criteria that alter the relative importance of execution elements. As a result, execution elements other than price may assume equal or greater importance. Such criteria may include, but are not limited to:

- Characteristics of the Client
- Characteristics and size of the Client Order
- Characteristics of the financial instruments that are subject of the Client Order
- Characteristics of the execution venues to which that Client Order can be directed

### **Execution Venues and Methodology**

In complying with Best Execution requirements, FPUK will consider utilising one or more of the following venue types when executing Client Orders:

- Regulated Markets
- Other Exchanges
- Systematic Internalisers
- Multilateral Trading Facilities
- Market Makers
- Third party brokers, banks and affiliates
- Internal and third party liquidity providers

A list of execution venues utilised by FPUK can be found at <http://www.kbcfp.com/clientinformation.html>. This list contains those execution venues that FPUK places significant reliance on when executing Client Orders.

It should be noted that the execution venue types and execution venue list is not exhaustive and FPUK will use other execution venue types and venues in order to provide Best Execution on a consistent basis.

Providing a Client has given prior express consent, FPUK is permitted to execute a transaction for a Client outside a Regulated Market or Multilateral Trading Facility (“MTF”) e.g. FPUK may execute the Client Order against a principal position, thereby acting as the execution venue or match / cross the Client Order with another FPUK Client Order. Where prior express consent is not obtained from a Client, FPUK may not be able to provide Best Execution and, as such, may not be able to accept the Client Order.

### **Client Instructions**

FPUK will, where possible and permitted, follow specific Client instructions with regards to the execution of a Client Order. In following specific Client instructions, FPUK may be prevented from following particular aspects of its order execution policy (other aspects of the order execution policy not impacted by the specific Client instruction will be followed). In particular, FPUK may choose not to follow certain Client instructions where it is considered that execution may amount to or appear to be an abuse of the market proscribed by any regulatory authority. In these circumstances, FPUK will nevertheless be deemed to have satisfied the Best Execution requirements.

### **Monitoring**

## KBC Financial Products UK

FPUK will monitor compliance with its order execution policy and, at least annually, review the effectiveness of the execution arrangements in place. In particular, FPUK will review the appropriateness of execution venues utilised.

FPUK will notify Clients of material changes to its order execution policy.

Clients will be notified of changes to execution venues that FPUK places significant reliance on when executing Client Orders by the posting of updates on <http://www.kbcfp.com/clientinformation.html>. Clients should, therefore, periodically refer to this website for updates.