

SAXO BANK'S BEST EXECUTION POLICY

1. INTRODUCTION

- 1.1** This policy is issued pursuant to, and reflects compliance with, the European Directive 2004/39/EC of 21 April 2004 on markets in financial instruments (MiFID) and with the implementing Danish legislation (the "Rules") that applies to the Saxo Bank Group. It is not intended to create third party rights or duties that would not already exist if the policy had not been made available and it does not form part of any contract between Saxo Bank (or any of its affiliates) and any client or prospective client.
- 1.2** What follows is an overview on how trades and orders are executed, the factors that can affect an execution's timing and the way in which market volatility plays a part in handling orders when buying or selling a financial product.
- 1.3** Upon acceptance of a client order and when there is no specific client instruction regarding the execution method, Saxo Bank will endeavor to execute that order in accordance with the Best Execution policy.
- 1.4** Nevertheless, whenever there is a specific instruction from a client Saxo Bank shall execute the order following the specific instruction. In fact, any specific instructions from a client may prevent Saxo Bank from taking the steps that it has designed and implemented in the execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.
- 1.5** This Policy is available to clients upon request and is also made available on our website at [<http://www.saxobank.com>]. The Bank reserves the right to amend or supplement this Policy at any time.

2. FINANCIAL PRODUCTS TO WHICH THIS POLICY APPLIES

- 2.1** The financial products to which this Policy applies are: Stocks, Bonds, Exchange Traded Funds, Futures, Foreign Exchange Forwards, Foreign Exchange Options and OTC securities (i.e. Contracts for Difference). Spot FX does not fall within the scope of this Policy.
- 2.2** The trading conditions of the above products are available on Saxo Bank's website (<http://www.saxobank.com>).

3. SAXO BANK'S APPROACH TO BEST EXECUTION

- 3.1** Saxo Bank identifies and seeks to obtain the most favorable terms reasonably available when executing an order on behalf of a client.
- 3.2** To do this, Saxo Bank relies on three basic components: (i) state-of-the-art technology for routing, monitoring and executing orders; (ii) careful consideration of the elements of order execution; (iii) regular and rigorous examination of the overall execution quality.
- 3.3** When executing a buy or sell order, Saxo Bank always considers:
 - the classification of the client as retail or professional;
 - the nature of the client order;
 - the characteristics of the financial instruments that are subject to that order;
 - the characteristics of the execution venues to which that order can be directed.

4. THE ROLE OF TECHNOLOGY IN EXECUTING CLIENTS' ORDERS

- 4.1** Saxo Bank uses automated systems to route and execute client orders. When a client order is received by Saxo Bank, it is automatically routed to an execution venue that Saxo Bank believes will provide the best execution or kept in-house for products which Saxo Bank trades against its own proprietary desk (e.g. OTC products).
 - 4.1.1** For listed securities (i.e. Cash Stocks and Futures), Saxo Bank always routes orders to an exchange or to a third party for execution.
 - 4.1.2** For OTC securities, Saxo Bank may trade against its own proprietary desk or will route the orders to other market-maker firms. Orders are only sent to firms that comply with limit order display and "Manning" limit order protection rules. Many of these firms also provide automated executions for orders.
 - 4.1.3** For FX forwards and FX options client orders are automatically routed internally against Saxo Bank's own book in the Bank's capacity as market maker.

5. THE ELEMENTS OF OUR BEST EXECUTION POLICY

5.1 Routing determinations are mainly based on four criteria and are regularly reviewed by Saxo Bank. Hence to determine the best way to execute an order for a client the Bank takes into consideration:

5.1.1 *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.

5.1.2 *Price Improvement and Overall Consideration of Costs.* Orders in OTC and listed securities 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 is offered to one or both sides of the trade.

5.1.3 *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 guarantees offered by exchanges and other dealers.

5.1.4 *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, sequential and reliable execution.

5.1.5 *Clients' specific instructions.* Saxo Bank will always execute client orders in accordance with the instructions given by that client or on its behalf. Consequently, if a client requires an order to be executed in a particular manner and not in accordance with Saxo Bank's best execution principles set forth herein, the client must clearly state his/her desired method of execution when he/she places the order. To the extent that a client instruction is not comprehensive, Saxo Bank will determine any non-specified components of the execution in accordance with these best execution principles.

5.2 Saxo Bank invites the clients to bear in mind that the duty of best execution not only relates to price but also involves the consideration of various factors including cost, speed and likelihood of execution and settlement. Even if a trade appears not to have been executed at the best possible price, it does not necessarily constitute a violation of the duty of best execution.

6. REGULAR REVIEW OF EXECUTION QUALITY AND OF EXECUTION VENUES

6.1 Saxo Bank regularly evaluates the overall quality of its order executions. Saxo Bank studies the quality of executions for listed and OTC retail market orders.

6.2 Saxo Bank's Management periodically evaluates the execution quality and makes recommendations regarding order routing practices.

7. LIST OF EXECUTION VENUES CURRENTLY CHOSEN

7.1 Saxo Bank uses the regulated markets when trading stocks and CFDs as chosen venues for trading. All trades are benchmarked to the pricing and liquidity in the primary regulated market for a selected company.

7.2 Stock brokers are used as order routing facilitators and in some cases an order will be filled internally or at another trading venue than the regulated exchange, if this will result in a better execution of the trade than if it was routed to the regulated market.

7.3 The venues currently chosen are:

- American Stock Exchange, Euronext Amsterdam, Australian Stock Exchange, Athens Stock Exchange, Euronext Brussels, OMX Copenhagen, Frankfurt/Xetra Stock Exchange, Hong Kong Stock Exchange, OMX Helsinki, Euronext Lisbon, London Stock Exchange SETS Markets, Milano Stock Exchange, NASDAQ Global Markets, NASDAQ Capital Markets, New York Stock Exchange, Oslo Stock Exchange, Euronext Paris, Singapore Exchange Securities Trading Limited, Sistema De Interconexion Bursatil Espanol, OMX Stockholm, Swiss Exchange, Tokyo Stock Exchange, Wiener Börse (Vienna) Stock Exchange SWX Europe (formerly Virt-X), Warsaw Stock Exchange, Electronic Chicago Board of Trade, Eurex, Euronext Derivatives, Globex, ICE Futures Europe, ICE Futures U.S. (NYBOT), Borsa Italiana SpA, Spanish Official Exchange Osaka Securities Exchange, Sydney Futures Exchange Corp. Ltd., Singapore Exchange Derivatives Trading Ltd., OMX Stockholm, Tokyo Stock Exchange.

7.4 As order routing vendors Saxo Bank uses:

- Goldman Sachs, Dresdner Kleinwort Wasserstein, Deutsche Bank, Lehman Brothers, Marex Financial and UBS.

8. PRICE VOLATILITY

- 8.1** Volatility is one factor that can affect order execution. When clients place a high volume of orders with brokers, order imbalances and backlogs 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.
- 8.2** The client's orders may, at the discretion of Saxo Bank but still in compliance with the best execution principles, be aggregated with Saxo Bank's own orders, orders of any of Saxo Bank's associates and/or persons connected with Saxo Bank (including employees and other clients). Furthermore, Saxo Bank may split the client's orders as well as aggregate orders before executing such. Although orders will only be aggregated or split where Saxo Bank reasonably believes it to be in the overall best interest of its clients, aggregation and split may on some occasions result in the client obtaining a less favorable price than if the client's orders had been executed respectively separately or mutually. In such case, Saxo Bank gives priority to factors affecting execution other than simply price, like the overall consideration of costs or the size and nature of the order or the likelihood of execution and settlement.
- 8.3** Electronic orders are not always executed simultaneously; some orders placed through online trading systems may be sent over the internet to an employee, who then determines where to route the order for execution. When high traffic in electronic orders causes a backlog, 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 further delay.
- 8.4** 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.

9. EFFECTS ON ORDER EXECUTION

- 9.1** 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 securities 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.

10. ALTERNATIVE TYPES OF ORDERS

- 10.1** Given the risks that arise when trading in volatile markets, you may want to consider using different types of orders to limit risk and manage investment strategies.

- 10.1.1 Market order.** With a market order the client instructs a broker 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 risks outlined above, including execution at a price substantially different from the price when the order was entered.

Certain exchanges* do not support market orders. If you place 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 you experience or suspect any errors with your order you should contact Saxo Bank immediately.

*Exchange	**Percentage Limit
American Stock Exchange (AMEX)	2.50%
Australian Stock Exchange (ASX)	1%
Athens Stock Exchange (AT)	2%
Oslo Stock Exchange (OSE)	2.50%
OMX Copenhagen (CSE)	2.50%
OMX Helsinki (HSE)	2.50%
OMX Stockholm (SSE)	2.50%
Singapore Exchange (SGX-ST)	1%

Some of our execution brokers may choose to translate market orders on various markets into aggressive limit orders 3% in the money. This is often a result of internal compliance requirements 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.

- 10.1.2 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 exe-

cuted 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.

10.1.3 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. When the stop price is reached or breached, the stop order is converted to a market order. See section 10.1.1 for market orders.

10.1.4 Trailing Stop Order. The trailing stop order is a stop order as described in 10.1.3 but the trailing stop price moves according to parameters set by the client. This way the trailing stop can be used to sell if price drop 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.

11. SAXO BANK'S GENERAL BUSINESS TERMS

11.1 Saxo Bank's Best Execution policy specifies the terms and conditions that already constitute an integral part of the Bank's General Business Terms. Hence the policy is to be read and understood in light of the above General Business Terms.

This policy is effective from **November 1, 2007** and shall remain effective until a more recent version is released.
The prevailing version of the policy is always available at www.saxobank.com.

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