



ERIK PENSER BANK

Summary of Client Order Execution Policy, Erik Penser Bank, 3 January 2018

1. Introduction

This document is a summary of Erik Penser Bank's Client Order Execution Policy (the "Policy"). The complete Policy is available from the Bank upon request.

The Policy complies with the Swedish Securities Market Act (2007:528) implementing the EU Markets in Financial Instruments Directive 2014/65/EU (MiFID II).

The Policy has been adopted by the management of the Bank and applies as of 3 January 2018. The Policy will be reviewed annually or more often if necessary. If there is any material change to the Policy, the Bank will notify the change to clients with whom the Bank has an ongoing client relationship.

"Material changes" include changes of execution venues that the Bank has designated and which are of critical importance to the Bank's execution or the factors affecting the choice of execution venue or any other change that is relevant to the client's ability to make an informed decision about whether the client will continue to use the Bank's services.

By entering into an agreement with Erik Penser Bank or by using any services provided by Erik Penser Bank that entail the execution of client orders, the client shall be deemed to have accepted this Policy. The same shall apply to material changes of the Policy concerning which the Bank has provided information to the client.

2. Purpose

The rules on best execution of client orders are a key component of investor protection. The rules are aimed at achieving market efficiency and obtaining the best possible result for the individual client.

The best execution requirement means that the Bank must take all measures necessary to

obtain the best possible result for the client under prevailing circumstances. In order to do so, the Bank must comply with this Policy. However, that does not mean that the Bank will obtain the best price in every individual case.

3. General principles

Erik Penser Bank does not accept payments, discounts or non-monetary benefits that do not comply with the rules on conflicts of interest and inducements to direct an order to a particular trading or execution venue.

Price and costs (the total consideration) are normally assigned the highest importance in connection with order execution. Orders are executed sequentially. The client must not be disadvantaged in relation to other clients or the Bank when the Bank deals on own account.

The Bank will not execute an order if it is contrary to applicable laws, ordinances, regulations, market rules or generally accepted practices in the securities market or if the Bank finds for other reason that there is special reason not to execute the order.

4. Specific instructions from the client

When a client has given specific instructions as to how an order or a specific aspect of an order is to be executed, the Bank will execute the order as instructed by the client. The Bank will thereby have satisfied its obligation to obtain the best possible result for the client.

When you, the client, issue a specific instruction, the Bank will depart from the client protection rules provided under this Policy.

5. Scope

This Policy must be applied when the Bank executes an order or when the Bank receives and transmits an order relating to financial instruments on behalf of a retail or professional

client, regardless of whether this occurs at the instruction of the client or within portfolio management.

The obligation to obtain best execution of orders does not cover eligible counterparties unless the Bank and the client have separately agreed thereto.

Currency (FX) is not a financial instrument. This Policy therefore does not apply to foreign exchange spot transactions.

On behalf of the client

When the rules on best execution must be applied is determined by whether an order is executed on behalf of a client. An order is considered executed on behalf of a client if the client has reason to rely upon that the Bank will act in the interests of the client with regard to price and other factors relevant to execution. A retail client is likely to rely upon that the Bank will act in the interests of the client in these respects, while a professional client is unlikely to rely upon the Bank to the same extent. In its assessment, the Bank also considers which party has initiated the transaction, customary practice in the relevant market, the transparency of the relevant market, the information that the client has received and the terms and conditions of the agreement with the client.

Request-for-quote (RFQ)

When the Bank quotes indicative or fixed prices directly to the client (RFQ), the Bank and the client enter into a bilateral agreement. In such situations, the Bank does not execute orders on the client's behalf. Such situations are therefore outside the scope of this Policy, as long as the client has not had reason to rely upon that the Bank will act in the interests of the client.¹

6. Client order execution methods

A client order may be executed in any of several different ways depending upon the type of financial instrument to which the order refers. The Bank will choose the method of participation in the trade that in the Bank's judgement will produce the most advantageous result for the client in the individual case.

Execution on a trading venue²

An order may be executed on a trading venue, i.e., a regulated market, an MTF platform or an OTF platform. This may be effected through that Bank's direct membership in the trading venue or transmitting the order to a partner that is a member.

Trade in shares admitted to trading on a regulated market or which are traded on a trading facility platform must, as a rule, be executed on a trading venue or against a systematic internaliser or the equivalent in a third country. The same applies to certain derivatives.

Execution outside a trading venue (OTC trading)³

An order can also be executed outside a trading venue. This is referred to as OTC (over the counter) order execution. This can be done by executing the order against the Bank's own trading book, against another market counterparty (e.g., a systematic internaliser, market maker, or other liquidity provider), or against another client's order.

PRICE FAIRNESS CHECKS - When an order is executed OTC, the Bank must check that the price proposed to the client is fair. The Bank does this by collecting market data and comparing the price to the prices of similar products.

CLIENT APPROVAL - Before the Bank executes an order outside a trading venue, the client must expressly approve this and must have been provided information about the consequences of this type of execution, such as counterparty risk. By entering into an agreement with the Bank, the client has issued general approval of dealing outside a trading venue. No such approval is required if the financial instrument is not traded on a trading venue.

Fund units not admitted to trading on a trading venue

The Bank executes orders related to fund units that are not admitted to trading on a regulated market or an MTF platform by transmitting the order, directly or via a partner, to the fund management company responsible for administration of the fund. The order is executed in accordance with the fund rules.

¹ See above under "On the client's behalf".
² See section 7, "Execution venues".
³ See section 7, "Execution venues".

7. Execution venues

“Execution venue” means:

- (i) a regulated market,
- (ii) a multilateral trading facility (MTF platform),
- (iii) an organised trading facility (OTF platform),
- (iv) a systematic internaliser, which is an investment firm which, on an organised, frequent, systematic and substantial basis deals on own account when executing client orders outside a regulated market, MTF or OTF without operating a multilateral system,
- (v) a market maker, which is a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person’s proprietary capital at prices defined by that person,
- (vi) other liquidity provider, which is a person or firm that holds themselves out as being willing to deal on own account and which provides liquidity as part of their normal business activity, whether or not they have formal agreements in place or commit to providing liquidity on a continuous basis, or
- (vii) a third country entity whose function is comparable to (i) - (v).

Execution on (i) - (iii) entails execution on a trading venue. Execution on (iv)-(vi) entails execution outside a trading venue (OTC trading).

The execution venues and partners that the Bank uses for various classes of financial instruments are posted on the Bank’s website, <https://www.penser.se/om-oss/#bli-kund>. When the Bank designates execution venues and partners, the Bank assesses the capacity of the execution venue or partner to deliver the best possible result for the client in accordance with the criteria set forth in this Policy. Particularly important execution factors are price, costs and likelihood of execution and settlement.

The quality of execution is monitored on an ongoing basis. Necessary changes are made at least once a year. No later than 30 April each year, the Bank publishes a list of the top five execution venues and partners that the Bank has used during the preceding year for various classes of financial instruments. In conjunction, the Bank also publishes information about the quality of the execution venues. The information is published on the Bank’s website, <https://www.penser.se/om-oss/#bli-kund>.

8. Factors significant to best execution

When choosing an execution venue for a specific transaction, the Bank evaluates the following factors:

- (i) price,
- (ii) costs,
- (iii) speed,
- (iv) likelihood of execution and settlement,
- (v) size of the transaction,
- (vi) nature of the transaction, and
- (vii) any other consideration relevant to the client.

Other qualitative factors are also considered when choosing an execution venue, such as clearing schemes, circuit breakers, scheduled actions or any other relevant considerations.

When the bank assigns the relative importance of these factors, the Bank takes the following into account:

- (i) the characteristics of the client, including retail or professional categorisation,
- (ii) the characteristics of the client order, including where the order involves a securities financing transaction,⁴
- (iii) the characteristics of financial instruments that are the subject of the order, and
- (iv) the characteristics of the execution venues to which the order may be directed.

⁴ “Securities financing transaction” means: a) a repurchase transaction, b) lending and borrowing of securities or commodities, c) a buy-sell back transaction or sell-buy back transaction or d) a margin lending transaction.

Retail clients

When the Bank executes a retail client order, the Bank primarily considers the total consideration, i.e.:

- (i) price and
- (ii) costs.

“Costs” means all costs directly related to execution, including the Bank’s own fees and compensation. This includes, for example, fees charged by the execution venue, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

The Bank may consider other factors if they are material to the client’s obtaining the best possible result defined as the total consideration. This may be the case, for example, in connection with a large order in respect of illiquid instruments. This may also be the case in connection with execution venues in non-EEA countries.

Professional clients

When the Bank executes a professional client order, the Bank primarily considers the total consideration, i.e.:

- (i) price and
- (ii) costs.

Under certain circumstances, factors other than total consideration may be assigned greater importance for professional clients. This may be the case in connection with a large order where it is likely that the order may have material effect on price formation or in connection with an order involving illiquid instruments, where the likelihood of execution may be assigned greater importance. This may also be the case in connection with execution venues in non-EEA countries.

9. Handling of client orders

The Bank will execute client orders promptly, fairly and expeditiously. Comparable orders are executed sequentially unless there is reason to do otherwise. Such reasons may be related to the characteristics of the order, prevailing market conditions or the interests of the client. The Bank will inform retail

clients of any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

The Bank is permitted to execute a client order or a transaction for own account in aggregation with another client order only if it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated. However, the aggregation may work to the client’s disadvantage in relation to a particular order.

When an aggregated order is fully executed, it will be allocated according to the average price. If an aggregated order is partially executed, the transactions involved will be allocated proportionately to the average price. If the Bank has aggregated orders for own account with client orders and the order is only partially executed, the client will normally take precedence over the Bank.

Limit orders

If the client has specified a limit, i.e., a lowest price in connection with a sale or a highest price in connection with a purchase, in respect to shares traded on a regulated market or an MTF platform, and the Bank does not execute the order, the Bank will immediately publish the order in a manner that makes it easily available to other market actors. This does not apply, however, if the customer has issued other instructions. Nor does the publication requirement apply to orders that are large in scale compared with normal market size.

10. Disorderly trading conditions or system disruptions

In the event of disorderly trading conditions or disruptions in the Bank’s own systems due, for example, to breakdown of or limited access to technical systems, it may be impossible or inappropriate to execute orders in accordance with the Policy. In such case, the Bank will take all reasonable measures to obtain the best possible result for the client by other means.