Best Execution Policy

Framework Document

1.0 INTRODUCTION

This policy provides an overview of how FSL Securities executes orders on behalf of clients, the factors that can affect the timing of execution and the way in which market volatility plays a part in handling orders when buying or selling a financial instrument. This policy applies to FSL Securities Limited's execution of orders on behalf of retail clients and professional clients as defined by the Rules.

Where FSL Securities Limited provides a quote to a client or negotiates the terms of an Over-the-Counter ("OTC") transaction with FSL Securities Limited as counterparty; FSL Securities Limited will normally not be acting on the client's behalf. In these situations, FSL Securities Limited will not owe a duty of best execution under the Rules, and this policy will therefore not apply. This policy does not create any obligation on FSL Securities Limited that it does not have under the Rules. Upon acceptance of a client order and when there is no specific client instruction regarding the execution method, FSL Securities Limited will execute an order in accordance with this policy.

2.0 FINANCIAL INSTRUMENTS TO WHICH THIS POLICY APPLIES

This policy applies to financial instruments and products including Stocks, Bonds, Exchange Traded Funds("ETFs"), Futures, Options, Foreign Exchange Forwards (including rolling FX Spot), Foreign Exchange Options, Contracts For Difference ("CFDs"), Certificates, Warrants and Mutual Funds. Some of these products may to an extent be traded OTC and hence are not covered by this policy.

3.0 FSL SECURITY LTD'S APPROACH TO BEST EXECUTION

When executing orders FSL Securities Limited will take all reasonable steps to obtain the best possible result under the circumstances for the client taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

When considering the best executing factors, FSL Securities Limited takes into account:

- the characteristics of the client order;
- the characteristics of the financial instruments that are subject to that order (in particular in relation to OTC financial instruments); and
- the characteristics of the execution venues to which that order can be directed.

When FSL Securities Limited executes orders on behalf of retail clients, Best Execution are determined on the basis of the total consideration paid by the client, unless the objective of execution of the order dictates otherwise. Whenever there is a specific instruction from or on behalf of a client, FSL Securities Limited will to the extent possible execute the order in accordance with the specific instruction.

A specific instruction from a client may prevent FSL Securities Limited from taking the steps that it has described in this policy to obtain the best possible result for the execution of orders. Trading rules for specific markets may prevent FSL Securities Limited from following certain of the client's instructions.

To the extent that a client instruction is not complete, FSL Securities Limited will determine any non-specified components of the execution in accordance with this policy.

4.0 ELEMENTS OF BEST EXECUTION

The procedure for routing determinations is mainly based but not limited to the following criteria and is regularly reviewed by FSL Securities Limited. Hence to determine the best way to execute an order for a client FSL Securities Limited takes into consideration:

4.1. **Speed and Likelihood of the Execution:** Due to the levels of volatility affecting both price and volume, FSL Securities Limited seeks to provide client orders with the fastest execution reasonably possible although delays may occur.

4.1.2 **Price Improvement and Overall Consideration of Costs:** Orders 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 can be offered to one or both sides of the trade.

4.1.3 **Size Improvement**: In routing orders, FSL Securities Limited seeks markets that provide the greatest liquidity and thus potential for execution of large orders. FSL Securities Limited also seeks opportunities for client orders to benefit from order-size commitments offered by third parties.

4.1.4 **Overall Execution Quality**: When determining how and where to route or execute an order, FSL Securities Limited's traders draw on extensive day-to-day experience with various markets and market makers, focusing on prompt and reliable execution.

5.0 EXECUTION OF CLIENT ORDERS

FSL Securities Limited uses automated systems to route and execute client orders. When a client order is received by FSL Securities Limited, it is routed to the execution venue that FSL Securities Limited considers to generally provide the Best Execution or kept in house for products which FSL Securities Limited trades against its own proprietary desk (e.g. some OTC products)

For instruments admitted to trading and official listing on a regulated market or stock exchange (i.e. Bonds, Stocks, Futures, Options and ETFs), FSL Securities Limited routes orders to the exchange, a multilateral trading facility or the like or to selected third parties for execution. For OTC products (CFDs, (rolling) FX Spot, FX Forwards and FX Options), FSL Securities Will trade (as principal) against its own proprietary desk and may in turn route its own orders to other market maker firms.

For OTC traded CFDs on single stocks and commodities execution is benchmarked to the pricing and liquidity on the primary regulated market or exchange of the relevant stock or commodity. Prices of non-listed units in Mutual Funds (e.g. unit trusts or open-ended investment companies) are set at a future "valuation point" and the exact price of such units is therefore not known in advance. FSL Securities Limited will seek to execute orders of such units, be it subscriptions or redemptions, at a price closest to the amount in the client's order as well as in accordance with the fund manager's rounding rules.

There may be delays in execution of orders, including orders placed through online trading systems. Some orders placed through on line trading systems may be handled manually. When high traffic in electronic orders causes a back log, FSL Securities Limited, 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 possible delay in execution.

In order to minimize such a risk, FSL Securities Limited has in place procedures and arrangements which to the furthest extent possible provide for the prompt, fair and expeditious execution of client orders.

6.0 EFFECTS ON ORDER EXECUTION

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 financial instruments that FSL Securities Limited must send to external market maker and manually routed or manually executed orders.
- 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.

- Price 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:
  1. The number and size of orders to be processed,
  2. The speed at which current quotations (or last-sale information) are provided to FSL Securities Limited and other firms; and
  3. The system capacity constraints applicable to the given exchange, as well as to FSL Securities Limited and other firms.

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 FSL Securities Limited at the exchange's demand. Orders exceeding the Compliance Order Filters may be subject to latency in the execution due to a need to either have a Compliance Order Filter lifted or have the order split into minor orders.

7.0 TYPES OF ORDERS

Given the risks that arise when trading in volatile markets, the client may want to consider using different types of orders to limit risk and manage investment strategies. (It should be noted that the following descriptions of order types may apply only to some and not all types of financial instruments).

7.1 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 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 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, FSL Securities Limited 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 the client experiences or suspects any errors with his/her order the client should contact FSL Securities Limited immediately.

7.2 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 executed 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.

7.3 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.

7.3.1 Trailing Stop Order: The trailing stop order is a stop order 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

7.3.2 Stop Limit Order: A stop limit order is a variation of a stop order 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.

7.3.3 Spread Filters: In order to ensure that the client's Stop Orders is not filled at unreliable prices during short termed periods with abnormally wide bid/ask spreads caused by for instance release of key economic figures FSL Securities Limited 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 in the disfavor of the client.

7.4 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. The orders can also be used to follow a volume participation or in general to achieve a better overall execution.

8.0 REGULAR REVIEW OF EXECUTION QUALITY AND OF EXECUTION VENUES

FSL Securities Limited will review this policy annually and whenever a material change occurs that affects FSL Securities Limited's ability to obtain the best possible result for the execution of client orders.

FSL Securities Limited regularly reviews the overall quality of its order executions and its order routing practices, including its order routing vendors and the available exchanges. FSL Securities Limited will amend this policy on the basis of such reviews if it considers it to be necessary.

Trade Error Corrections

Where the Firm has identified or been made aware of a trade error, this must be corrected as soon as reasonably practicable. The Firm has in place controls to identify trade errors stated in our internal Best Execution policy and procedures.

All trade errors are to be reported to Senior Management immediately upon being identified

Upon identifying any such trade error, steps are taken in consultation with the Compliance Officer to rectify the error and clients are notified of the details and the steps taken by the Firm.

- **Errors resulting in losses**
  The portfolio must be reimbursed so as to bring it to the position it would have been in had the error not occurred

- **Errors resulting in gains**
  Where the error results in a financial gain, such a gain is to be retained by the Client/s to which the error relates unless the Client does not wish to benefit from the gain and provides alternative instructions to the Firm.

  Note that errors resulting in the above stated is subject to client's position at the time error occurred.

- The only exceptions to the client automatically retaining all gains resulting from a breach or error within their portfolio are:
  - the client has been informed of the error and made the decision as to how the gains are allocated, which may include agreeing offsetting any losses incurred. There must be a clear record of the client instruction in this regard.
  - the gain has occurred following an error in relation to a stated client restriction e.g. a client does not want to invest in tobacco, breweries, such stocks have been purchased in error and sold at a gain. As the client would not partake of error gain where he signified no interest in the stock purchased in error.
- Where he failed to fund the account at least 5(five) working days after the purchase.
- Where error of purchase falls within dividend payment period, client should be able to pay back to the company all the dividends due within a reasonable time from the payment date. Failure to do this, FSL reserves the right to sell from the client's portfolio a stock/stocks worth the value/volume of dividend being expected.

Responsibility

Within the Firm the Head of Operations has responsibility for oversight of adherence to best execution requirements in relation to ensuring the Firm has met its obligations and also to be satisfied that third parties with responsibility for meeting best execution in relation to trades placed are also obtaining best execution on a consistent basis.

Reporting

The Firm is required to inform Compliance of any issues or concerns around the robustness of a third party's best execution provisions during initial due diligence or as a result of ongoing review.

In relation to trade errors, in all cases the client must be aware of the error and corrective action. Details of the trade error are also to be recorded on a Trade Error register maintained by Operations.

Review

This policy will be reviewed on at least an annual basis and uploaded to the relevant website pages.