

PACIFIC PRIVATE BANK LIMITED'S
BEST EXECUTION POLICY
(ONLINE TRADING)



1 INTRODUCTION

- 1.1 This policy 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 Pacific Private Bank Limited, hereafter referred to as "Pacific Private Bank", 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 hand-ling orders when buying or selling a financial product.
- 1.3 Pacific Private Bank is a white label front-end trading interface, provided to Pacific Private Bank by Saxo Capital Markets Pte Ltd, hereafter referred to as "Service Provider". Online trading services provided to Pacific Private Bank by the Service Provider include: Trading technology, order routing, order execution, market making, clearing, settlement and depository services. Clients using the Pacific Private Bank platform are advised that Pacific Private Bank shall act as riskless principal unless otherwise indicated in writing or notified to the client.
- 1.4 This policy applies to Pacific Private Bank's execution of orders on behalf of its retail and professional clients as defined by the Rules.
- 1.5 Where Pacific Private Bank provides a quote to a client or negotiates the terms of an Over the Counter ("OTC") transaction with its Service Provider on behalf of the Client, Pacific Private Bank or its Service Provider will not owe a duty of best execution under the Rules, and this policy will therefore not apply.
- 1.6 Upon acceptance of a client order and when there is no specific client instruction regarding the execution method, Pacific Private Bank will endeavor to execute that order in accordance with this policy.
- 1.7 This Policy is available to clients upon request and is also made available on our website at <http://www.pacificprivatebank.com>. Pacific Private Bank reserves the right to amend or supplement this Policy at any time.

2 PRODUCTS COVERED BY THIS POLICY

- 2.1 This policy applies to financial instruments and products as defined by the Rules, including Stocks, Bonds, Exchange Traded Funds ("ETFs"), Futures, Options (OTC and exchange traded), Foreign Exchange Forwards (including rolling FX Spot), Foreign Exchange Options, Contracts For

Difference ("CFDs"), Certificates, Warrants and Mutual Funds. Some of these products are due to their nature traded OTC.

- 2.2 The trading conditions for the products available on the Pacific Trader platform are available on Pacific Private Bank's website (www.pacificprivatebank.com) as well as Pacific Trader platform.

3 PACIFIC PRIVATE BANK'S APPROACH TO BEST EXECUTION

- 3.1 Pacific Private Bank uses the execution venue's of its Service Provider to identify and seek to obtain the most favorable terms reasonably available 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.
- 3.2 When considering the best executing factors, Pacific Private Bank relies on three basic components provided by its Service Provider in this process:
 - 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.
- 3.3 When Pacific Private Bank executes orders on behalf of retail clients; Best Execution is determined by Pacific Private Bank's Service Provider on the basis of the total consideration paid by the client, unless the objective of execution of the order dictates otherwise.
- 3.4 Whenever there is a specific instruction from or on behalf of a client, Pacific Private Bank and its Service Provider will, to the extent possible, execute the order in accordance with the specific instruction. A specific instruction from a client may prevent Pacific Private Bank and its Service Provider 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 Pacific Private Bank and its Service Provider from following certain of the client's instructions. To the extent that a client's instruction is not complete, the Service Provider will on Pacific Private Bank's behalf determine any non-specified components of the execution in accordance with this policy.

4 THE ROLE OF TECHNOLOGY IN EXECUTING CLIENT ORDERS

- 4.1 The procedure for routing determinations is mainly based on four criteria and is regularly reviewed by Pacific Private Bank's Service Provider. Hence to determine the best way to execute an order for a client the Service Provider takes into consideration:
- 4.1.1. Speed and Likelihood of the Execution: Due to the levels of volatility affecting both price and volume, the Service Provider 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, the Service Provider seeks markets that provide the greatest liquidity and thus potential for execution of large orders. The Service Provider 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, traders operating for the Service Provider draw on extensive day-to-day experience with various markets and market makers, focusing on prompt and reliable execution.

5 EXECUTION OF CLIENT ORDERS

- 5.1. The Service Provider uses automated systems to route and execute client orders. When a client order is received, it is routed to the execution venue that the Service Provider considers to generally provide the Best Execution or kept in house for products, which the Service Provider trades against its own proprietary desk (e.g. some OTC products). The Service Provider may execute orders outside regulated markets and multilateral trading facilities.
- 5.2. For instruments admitted to trading and official

listing on a regulated market or stock exchange (i.e. Bonds, Stocks, Futures and ETF's), the Service Provider routes orders to the exchange, a multilateral trading facility or the like or to selected third parties, re. Section 6.2, for execution.

- 5.3. For OTC products (CFD's, (rolling) FX Spot, FX Forwards and FX Options), the Service Provider 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 CFD's on single stocks, execution is benchmarked to the pricing and liquidity on the primary regulated market or exchange of the relevant stock.
- 5.4. 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. The Service Provider 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.
- 5.5. Client's orders may at the discretion of the Service Provider be aggregated with the Service Provider's own orders, orders of any of Pacific Private Bank's or its Service Providers or the Service Provider's associates and/or other clients. Furthermore, the Service Provider may split the client's orders as well as aggregate orders before executing such. Orders will only be aggregated or split where the Service Provider reasonably believes it to be unlikely that the aggregation or split generally will be detrimental to any client. Aggregation and split may in single occasions result in the client obtaining a less favorable price than if the client's orders had been executed separately or together, as applicable.
- 5.6. There may be delays in execution of orders, including orders placed through online trading systems. Some orders placed through online trading systems may be handled manually. When high traffic in electronic orders causes a back log, the Service Provider, 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, the Service Provider has in place procedures and arrangements, which to the furthest extent possible provide for the prompt, fair and expeditious execution of client orders.

6 LIST OF EXECUTION VENUES CURRENTLY USED

- 6.1. Pacific Private Bank uses the Service Provider as a single venue for order routing and order execution
- 6.2. Pacific Private Bank's Service Provider is a member of NASDAQ OMX Copenhagen and Chicago Mercantile Exchange ("CME") and additionally uses a number of external financial institutions and brokers to execute listed financial instruments which are not listed on NASDAQ OMX Copenhagen and CME including Bank of America, BNP, Barclays, Citibank, CommerzBank, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan Chase, Morgan Stanley, Nomura, RBS, UBS, Citadel, Carregosa and Banco Best.
- 6.3. Pacific Private Bank's Service Provider has access to a number of exchanges through its order routing vendors, including: American Stock Exchange, Athens Stock Exchange, Australian Stock Exchange, Borsa Italiana, Eurex, Euronext, Frankfurt Stock Exchange, Hong Kong Stock Securities Exchange, London Stock Exchange, NASDAQ OMX Nordic, NASDAQ US, New York Mercantile Exchange, New York Stock Exchange, SIBE (Spain), Singapore Exchange, Swiss Exchange, Sydney Futures Exchange, Tokyo Stock Exchange and Wiener Börse (Vienna)

7 EFFECTS ON ORDER EXECUTION

- 7.1 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 financial instruments that the Service Provider must send to external market makers 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.
 - 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: (i) the number and size of orders to be processed, (ii) the speed at which current quotations (or last sale information) are provided to Pacific Private Bank and its Service Provider and other brokerage firms; and (iii) the system capacity constraints applicable to the given exchange, as well as to the Service Provider and other firms.

8 TYPES OF ORDERS

- 8.1 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).
- 8.2 **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, the Service Provider 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 Pacific Private Bank immediately. Some of the Service Provider's third party execution brokers may choose to translate market orders on various markets into aggressive limit orders 3-5 % in the money. This is often a result of exchange rules applied to protect clients from "bad fills". Pacific Private Bank or its Service Provider cannot be held responsible for missing fills due to such translation performed by third party execution brokers.

- 8.3 **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.

8.4 **Stop order:** When a stop order is placed and the established stop price is triggered, the order is automatically sent for execution as a market order at the price then prevailing. Thus, a stop order becomes a market order only when a certain price level (the stop) is triggered. Unlike the limit order it does not define the actual price at which the trade will be executed, but rather the price that will cause the trade to be initiated. While a stop order does not guarantee the price of execution, it ensures that the trade under normal circumstances will be executed if the price level is triggered and liquidity is available. Stop Orders, normally intended to limit losses to a certain amount, may not effectively limit losses.

8.4.1 **Trailing stop order:** The trailing stop order is a stop order as described in Section 8.4 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.

8.4.2 **Stop Limit Order:** When a stop limit order is placed and the established stop price is triggered, the order is automatically sent for execution as a market order but no worse than the limit price at the price then prevailing. Thus, a stop limit order becomes a market order with a limit price when a certain price level (the stop) is triggered. Unlike the limit order it does not define the actual price at which the trade will be executed, but rather the price or the maximum or minimum price (the limit price) that will cause the trade to be initiated. A stop limit order does not have a guarantee of execution, if liquidity is insufficient the market in question may trade through the limit price and the investor may have no execution. In this case the investor will remain exposed, as the order will not be executed unless or until the market price returns to or through the limit price. Stop Limit Orders, normally intended to limit losses or maximize profits to a certain amount, may not effectively limit losses or maximize profits.

9 REGULAR REVIEW OF EXECUTION QUALITY AND OF EXECUTION VENUES

- 9.1 Pacific Private Bank and its Service Provider will review its policy annually and whenever a material change occurs that affects the Service Provider's ability to obtain the best possible result for the execution client orders.
- 9.2 Pacific Private Bank's Service Provider regularly reviews the overall quality of order executions and order routing practices, including order routing vendors and the available exchanges. Pacific Private Bank will amend its policy on the basis of the Service Provider reviews if it considers it to be necessary. Any new Pacific Private Bank Best Execution policy will be made available on Pacific Private Bank's website and will be in force as from publication.

10 PACIFIC PRIVATE BANK'S ACCOUNT DOCUMENTS

This policy is subject to Pacific Private Bank's account documents, which govern the relationship between Pacific Private Bank and the client. Further information on order execution and market making functions, can be found in Pacific Private Bank's account documents.

11 PACIFIC PRIVATE BANK'S GENERAL BUSINESS TERMS

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



This policy is effective from July 9, 2014 and shall remain effective until a more recent version is released.
The prevailing version of the policy is always available at www.pacificprivatebank.com