Policy on best execution of orders

1. General

As per Article 18 of Act No. 108/2007 on Securities Transactions ("AST"), and in accordance with Article 21. Directive 2004/39 /EC of the European Parliament and of the Council of 21 April 2004 on Markets for Financial Instruments (MiFID), Icelandic Investors hf. (the "firm") are obligated to make every effort to ensure the best possible outcome for their clients, whether it is executing orders from clients or receiving and transmitting orders from clients.

2. Best execution of business orders

Factors to be considered and order of importance

Best execution of business orders refers to the obligation of the firm to ensure the best possible outcome for their clients.

When executing client orders, the firm will through all reasonable means seek to reach the best possible outcome for their clients, taking into consideration price, cost, speed, likelihood of execution, size, nature and any other relevant factors.

When the client is a retail client, the total payment in the transaction is generally the most important factor, including the price received in the transaction, the resulting transaction costs, and cost of settlement. This means that other factors such as speed, likelihood of execution and scope will only be given greater priority when executing client orders if they are considered to make the client better off.

While price and cost are generally given greatest priority in seeking the best possible outcome, the firm, may decide that other factors are more significant, depending on the client, what the instructions are, what financial instruments are involved or the characteristics of the execution venue to which the order can be directed.

Execution of business orders

If a client does not give specific instructions, the firm will execute orders by one or more of the following methods:

- by sending the order immediately to the appropriate market.
- by executing the order through more than one transactions in the market.
- by matching orders with orders from another client of the firm, as appropriate.
- by transactions with a third party outside of a regulated securities market.
- or, in such instances where the firm is not a member of the relevant market, with a third-party participant with whom it has an agreement for execution of orders on the market concerned.

Best result based on circumstances

Although the firm will take all reasonable steps to achieve the best possible results for clients based on available resources and circumstances, the firm cannot guarantee that best execution will be met at all times.

The client instructs a specific execution

When a client instructs a specific execution of their orders, the orders will be executed in accordance with the client's instructions. The client realises that when he instructs a specific execution, the firm cannot, and will not, consider all the factors mentioned in this article.

3. Markets

As a rule, client orders should be executed on regulated securities markets. The firm choose this way as a principle rule because the price of securities on a regulated market is transparent, the speed of transactions is high, costs are easy to understand and the likelihood of transaction is generally high. The only regulated securities market that the firm is a member in when this policy for best execution of business orders takes effect is NASDAQ OMX Iceland.

If a financial instrument can be traded on a market other than NASDAQ OMX Iceland, the firm may choose another market if they believe that it will result in a better outcome for the client. This would primarily be the case when liquidity is higher for the relevant financial instrument on a market other than the NASDAQ OMX Iceland. Generally, the market with the highest liquidity will be chosen to execute client orders.

Markets where the firm can execute orders is NASDAQ OMX Iceland.

When selecting a market, an assessment is made of what is best suited to the client's needs for executing the relevant orders. Other factors may also be considered, such as market reliability, the ability to handle complex financial instruments, its quality and other features.

When it is only possible to execute orders on one market, the firm is deemed to have fulfilled its obligations under the rule of this article when executing a client's orders on that market.

Execution of non-market orders

Notwithstanding the principle set out above, the firm may assess that a better outcome for the client may be obtained by executing orders outside regulated securities markets. This is especially true in the case of large transactions. The firm shall assess whether it is more appropriate to execute business orders outside such markets or on them.

The client's acceptance of the best execution policy assumes that the client specifically agrees that the firm may execute orders in accordance with the rules of the firm, outside regulated securities markets.

Implementing business orders in other markets

Should the firm receive an order regarding financial instruments traded on a regulated securities market that the firm is not a member of, it may execute such instructions by transmitting them, on the basis of an underlying agreement, to intermediaries that are members of, or have access to, the relevant market. The choice of the firm in such intermediaries is based on a regular assessment of their ability to execute the order well and the quality and cost of the services they provide.

4. Disturbance of the market

If there is a disturbance in the market or in the activities of the firm due to events such as electrical interference and malfunctions in computer systems, the firm may be unable, or it may prove inappropriate, to execute orders in accordance with this policy. In such cases, the firm will, to the best of its ability, seek through reasonable means to achieve the best possible outcome for its clients.

5. Principles for executing business orders

As a rule, client orders are executed immediately and in the order, they are received, unless circumstances warrant otherwise, or if it is considered more favourable to the client that the order is executed differently.

Should the firm receive a conditional order that is not executed as soon as it is received, it is under obligation to immediately have the order published to the relevant market so that it becomes available to other market participants for processing, unless otherwise stated by the client. The client's acceptance of the best execution policy assumes that the client has agreed that the firm assess whether and when to publish such orders.

6. Information requirements

At the customer's request, the firm shall demonstrate that their instructions have been executed in accordance with the policy for best execution of orders. The firm shall ensure that there is regular monitoring of the implementation of its procedures and also ensure that they are implemented.

In case of substantive changes to the policy, the firm will inform their clients accordingly.