

Pareto Securities

Pareto Securities Oy Principles for the execution of client orders

Valid from 16 December 2014*

*Replaces the principles for the execution of client orders approved 6 March 2014

Principles for the execution of client orders

1. Introduction

These principles for the execution of client orders apply to business transactions carried out between Pareto Securities Oy (“Pareto”) and its professional and non-professional clients (“clients”). They do not apply to business transactions with eligible counterparties. The principles for the execution of orders also apply to eligible counterparties, should they request this in writing in accordance with Chapter 10, Section 11 of the Financial Services and Markets Act (747/2012; “Sijoituspalvelulaki”). The principles for the execution of orders apply to all financial instruments specified in MIFID and offered by Pareto.

Pareto is not a direct member of a regulated market or a multilateral trading facility. Instead, Pareto mainly uses the electronic trading system (“DMA”) of Pareto Securities AS (Norway) to transfer the orders it has received. It may also have the order carried out by the brokers of Pareto Securities AS or Pareto Securities AB (Sweden) (Pareto Group). Pareto may, in addition, use other brokers to execute orders. Pareto selects the brokers it uses with care, paying special attention to the factors mentioned in these principles. Such brokers may carry out orders or distribute them for implementation in the main markets, i.e. regulated markets, or to multilateral trading facilities (MTF), systematic internalisers, market makers or other providers of liquidity.

Pareto considers that the client has approved the principles for the execution of orders as presented below when Pareto receives an order from the client.

2. General principles for the execution of assignments

When Pareto carries out client orders concerning financial instruments (“order”), Pareto endeavours to carry out all reasonable actions to achieve the best possible result for the client. In order to achieve the best possible result for the client, Pareto considers the following factors when executing orders:

- Price
- Speed
- Order size
- Cost of order
- Nature of order
- Likelihood of a transaction being realised or cleared
- Other matters relevant to the order, such as whether the order is carried out as a DMA or a Care Order.

The order of importance of these factors may vary depending on the following criteria related to the execution of order:

- Characteristics of the client, including the client classification (professional or non-professional)
- Characteristics of the order
- Characteristics of the financial instrument to which the order pertains
- Characteristics of the execution sites and trading systems which the order may be transferred to

Usually, the price is the most important factor when evaluation the execution of an order according to these principles. In certain market situations or in the case of certain financial instruments, however, the other criteria may become more important than the price when seeking for the best execution for a specific order. As a general principle of executing orders on behalf of non-professional clients, Pareto holds the price and the total cost of execution as the most important criteria.

Pareto evaluates the order of importance of the execution criteria independently unless the client has given Pareto specific instructions on the execution of order. Specific instructions of the client may include, for example, a request to forward the order to a specific market place for execution or some other instruction related to the execution of the order.

Although Pareto is committed to executing orders according to these principles in the best interest of the client, Pareto has no further obligations regarding the execution of the order than what is specified in the applicable regulations of the authorities and in the agreements made between Pareto and the client.

3. Processing of orders

When Pareto has received an order from a client

- Pareto transfers the order according to the principles of execution of orders without delay to a market used by the Pareto Group.
- The markets may vary according to the financial instrument in question. The markets available for use at each time are listed on Pareto's web site at <http://www.paretosec.com/venues.php>
- If necessary, Pareto may combine the client's order with orders received from other clients and then transfer the order to the market. Pareto may only combine orders from clients if this does not, in Pareto's opinion, cause any harm to the execution of the order of an individual client.
- In the execution of orders, Pareto may utilise different types of algorithms or similar electronic tools intended for the transfer of orders, should Pareto consider this necessary in order to achieve the best possible result for the client.
- If an order is executed outside regulated markets or multilateral trading facilities or if it is desirable to delay the publication of a limit order, Pareto must obtain specific authorisation from the client for this.

4. Trading venues

When executing client orders, Pareto may, according to these principles of operation, use one or several of the trading venues specified below:

- Regulated markets
- Other stock exchanges which are not regulated markets
- Multilateral trading facilities (MTF)
- Systematic internalisers
- External investment firms and brokers acting as market makers or other providers of liquidity.

Pareto itself is not a market participant in the trading venues listed; instead, it uses brokers of the Pareto Group for the execution of client orders in the trading venues in question. When Pareto gives an order for execution by another broker in a trading venue in which Pareto is not a market participant, Pareto endeavours to make sure that the best possible result is achieved for the client. This does not, however, mean that the principles for the execution of orders of the broker executing the order are identical to those of Pareto.

A list of the venues is available on Pareto's web site (<http://www.paretosec.com/venues.php>). The list includes the trading venues used substantially by Pareto for the execution of client orders. If necessary, Pareto may also use other trading venues than those listed as venues at the time, and it may also update the list of trading venues used. Clients are not specifically notified of such changes. There may be only one trading venue available for certain financial instruments. When Pareto executes a client order in such a situation, Pareto is considered to have acted according to these principles for the execution of client orders.

5. Trading in OTC products (bonds)

Orders concerning financial instruments not subject to regular trading in a regulated market are executed as OTC transactions directly between Pareto and the client. A binding transaction comes to stand when the client approves the price quote received from Pareto. Pareto uses international commonly used information systems to obtain price information from significant market participants. Pareto does not act as the client's agent in the execution of an OTC transaction. In this case, Pareto does not execute an order on behalf of the client as Pareto is a party in the direct transaction with the client. The principles for the execution of orders therefore do not apply to OTC trades. An OTC transaction is executed at the price specifically approved by the client. Such a price approved by the client is considered a specific instruction of the client which Pareto must follow. At Pareto, orders concerning bonds are executed as OTC transactions.

6. Subscription to issues

Upon subscription to issues, Pareto will transmit the client's subscription/order to the issuing undertaking or to the designated place of subscription if Pareto is not a place of subscription, as well as subscribe as an authorised representative of the client in accordance with any authorisations rendered. Subscription and allotment will take place on the terms and

conditions stipulated for the issue. Allotment in accordance with the terms and conditions stipulated for the issue shall always be deemed to constitute the best possible outcome for the client.

7. Exceptional circumstances in the execution of orders

If a client provides Pareto with special instructions for the execution of the order, such instructions are followed in the execution of the order. The client shall clearly communicate the special instructions concerning the order when placing the order. If the instructions given by the client are not extensive, Pareto will follow the principles for the execution of orders as stated above where applicable. Special instructions given by the client to Pareto always have priority over Pareto's principles for the execution of orders. The client is aware that following the client's special instructions may prevent Pareto from following the principles for the execution of orders as described here.

Pareto is entitled to a deviation from these principles for the execution of orders in exceptional market situations and during disturbances in internal or external systems. In such situations, Pareto's ability to execute orders is the primary factor. Pareto may not be able to execute orders on all trading venues during such market or system disturbances.

8. Updating and monitoring of the principles for the execution of orders

Pareto monitors the functionality of its principles for the execution of orders. If Pareto finds any problems, it will update its principles for the execution of orders applicable at the time. Pareto does not send specific notifications of such changes to its clients, instead, the principles for the execution of orders of Pareto and the Pareto Group currently applicable are available at the Pareto web site at (www.paretosec.com).

However, Pareto evaluates its principles for the execution of client orders at least once a year or whenever such changes take place that may affect Pareto's opportunities to execute client orders in such a way that the best possible results for the client are obtained.

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