

ORDER EXECUTION POLICY

OF

MERITKAPITAL LIMITED

Version January 2018

1. INTRODUCTION

- 1.1.** This Order Execution Policy (the “Policy”) sets out the policies and arrangements in which MeritCapital Limited (hereinafter “MK” or the “Company”) and its employees, will adhere to with reference to the execution, allocation and aggregation of Client Orders and transactions and the management of Client Orders.
- 1.2.** When execute or place Client Orders with other firms for execution, MK is required under MiFID II to act in accordance with Client best interests. In order to comply with this obligation, the Company is required to take all sufficient steps to obtain the best possible result for our Clients taking into account the execution factors identified in this Policy. The Company refers to this obligation as our obligation of Best Execution.
- 1.3.** MK is also required to provide appropriate information to the Clients on its Order Execution Policy.
- 1.4.** This Policy is an integral part of the Terms of Business. This Policy is available to the Clients or Potential Clients on the Company’s website (www.meritcapital.com). Any changes to the Policy shall be made in accordance with the procedure stipulated in the Terms and Conditions.

2. SCOPE

- 2.1.** This Policy applies to Retail and Professional Clients but is not applicable to Eligible Counterparties.
- 2.2.** This Policy will be adhered to by all MK employees providing investment services and MK will be able to demonstrate to the Clients that they act in accordance with this Policy, where MK:
 - i. Receives and transmits Client Orders; and/or
 - ii. Executes Orders on a Client’s behalf.
- 2.3.** The Policy covers financial instruments as defined by MiFID II and offered for trading by the Company.
- 2.4.** This Policy will be provided to prospective Retail and Professional Clients and their consent to this Policy will be obtained prior to the commencement of the business relationship between MK and the Client.
 - 2.4.1.** All the changes to this Policy are communicated to the Clients in a timely manner and respective acknowledgement is obtained.

2.5. For quote-driven activity conducted with Professional Clients, the following exception to the Best Execution rules will apply:

- 2.5.1. In the wholesale bond and equities markets in which MK operates on a "request for quote" basis, it is normal market practice for buyers and sellers to approach several brokers/dealers for a quote. In these circumstances, MK is under no obligation to provide the buyer/seller with a comparison of its prices with those of its competitors and there is no expectation between the parties that the broker/dealer chosen will owe a best execution obligation.

As a sophisticated participant in the wholesale markets, unless the Client advises MK to the contrary, MK will assume that this is their normal trading behavior.

- 2.5.2. Where the Client provides instructions or where MK provides either "an indication of interest" or a "request for quote" that the Client accepts by executing a transaction, MK will not in general be executing their Order. In these circumstances, MK will take the Client's best interests into account but will not be deemed to be acting on the Clients' behalf and the best execution responsibilities under MiFID II will not apply.

2.6. A review of this Policy and arrangements shall be carried out on an annual basis or if there is an alteration in regulation and policy, to ensure best possible results for the MK Clients.

3. LEGISLATIVE FRAMEWORK

3.1. This Policy has been prepared in accordance with, and adheres to the legislative requirements of:

- i. Law No 144(I)/2007 – Law which provides for the provision of Investment Services, the exercise of Investment Activities, the Operation of Regulated Markets and other related matters
- ii. DI 144-2007-02 – Directive for the Professional Competence of Investment Firms and the Natural Persons employed by them
- iii. Article 27-28 of Markets in Financial Instruments Directive II ("MiFID II")

4. ORDER EXECUTION POLICY¹

4.1. The legislation makes provision that all investment firms will have an Order Execution Policy, so that the firm is able to obtain the *best possible result* for its Clients.

4.2. Best Execution

4.2.1. The *best possible result* of an Order executed by MK on behalf of a cClient shall be determined in terms:

- 4.2.1.1. the total consideration, representing the price of the financial instrument;
- 4.2.1.2. the costs relating to execution, which shall include all expenses incurred by the Client which are directly relating to the execution of the Order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the Order.

4.2.2. In order to fulfil the Best Execution requirements, MK has implemented the following procedures:

- 4.2.2.1. Selection and assessment of suitable Prime Brokers and Counterparties;
- 4.2.2.2. Selection and assessment of suitable Execution Venues;
- 4.2.2.3. Clients' classification;
- 4.2.2.4. Assessment of Order Execution Arrangements and Order Allocation Policy.

4.2.3. Where MK supplies prices or respond to a 'request for quote', it is important to bear in mind that MK must take all reasonable steps to do so as accurately and fairly as possible, while taking into account any conflicts of interest MK may have.

4.2.4. Conflicts of interest might arise, for example, where MK has received a price or quote from a potential counterparty on a restricted basis (i.e. MK is authorised to show a price at a certain level while knowing of the potential counterparty's willingness to buy at a higher, or sell at a lower level). MK thereby constrained from passing that information to the Client to whom MK is supplying prices or a quote for a particular security.

4.2.5. Where there is more than one competing venue to execute an Order for a financial instrument, MK's own commissions and costs for executing the Order for each of the eligible execution venues shall be taken into account in the determination.

4.2.6. When executing Client Orders MK adheres to the following in order to obtain the best possible result for its Clients:

- 4.2.6.1. Will take reasonable steps to achieve the most beneficial outcome;

¹ Section 38 Law No 144(I)/2007

4.2.6.2. In case of absence of express or special customer instructions in the wholesale market, apart from the obvious price movements as the most significant factor in driving decisions, MK will incorporate the following factors, along with others to ensure the best results for the Client:

- i. Market Price of the security;
- ii. Costs of the total execution;
- iii. Speed of execution of the transaction;
- iv. Market depth and liquidity;
- v. Likelihood of execution & settlement.
 - a. MK will only show the price and size to parties that it believes may have an interest in executing or crossing such a position
- vi. Size of the Client Order.
 - a. Positions larger than standard market size may be crossed at a particular stage in the trading day or kept anonymous to the majority of market participants; unless otherwise directed
- vii. Nature and peculiarities of the security;
- viii. Market conditions at the time of trading including volatility, gaps in pricing and information asymmetry which may impact the overall availability and range of prices, including the bid/offer spread
- ix. Impact on the market
- x. Any other consideration relevant to the execution of the Order.

4.2.6.3. Depending on the circumstances, the Company keeps the right to determine the degree of significance of each factor.

4.2.6.4. MK will take into consideration the following characteristics:

- i. The Client's categorisation - whether the Client is a Retail or a Professional Client;
- ii. The characteristics of the Client Order;
- iii. The characteristics of the financial instruments which are subject to that Order;
- iv. The characteristics of the Execution Venue(s) to which the Order could be directed.

4.3. Specific Client Instruction.

- 4.3.1. Where a specific Order is executed following Specific Client Instruction, MK will execute the Order according to those instructions. The Client should be aware that providing that instruction may prevent MK from taking some of the steps mentioned in the present policy to obtain the best possible result for the execution of that Client Order (to the extent of the instructions). MK shall be treated as having satisfied its best execution obligation in respect of the said Order.
- 4.3.2. In instances where a Client provides MK with a specific instruction in relation to their entire Order, or any aspect of their Order, including an instruction for their trade to be executed on a particular Execution Venue, MK will execute the Order in accordance with the Client's instruction. However, following the Client's instruction, MK will be deemed to have taken all reasonable steps to provide the best possible result for the Client in respect of the Order, or aspect of the Order, covered by their specific instructions.
- 4.3.3. When the Client gives an offer, takes a bid or places an Order on a MTF, the best execution provisions of MiFID will not apply to the operator of the MTF and these obligations will fall on the user of the system. The Client's Order will be classified as a Specific Instruction and hence the best execution obligations will not apply.

4.4. Prime Brokers and Counterparties

- 4.4.1. MK selects its Prime Brokers for each asset class by their adherence to Best Execution services, product offering, cost structures that enable better conditions for their Clients.
- 4.4.2. The Company on a constant basis broaden their Counterparties list in order to ensure better pricing and liquidity for their Clients.
- 4.4.3. On an annual basis MK conducts review of the Prime Brokers and Counterparties and the level of their pricing in order to ensure the Best Execution for their Clients.
- 4.4.4. Selected Prime Brokers are subject to approval of the Management Board.

4.5. Order Execution Arrangements

- 4.5.1. When carrying out Client Orders the following conditions will be met:
 - 4.5.1.1. Executed Orders will be promptly and accurately recorded. The relevant details relating to all transactions in financial instruments carried out by MK on behalf of its Clients will be at all times recorded.

- 4.5.1.2. Comparable Client Orders will be carried sequentially and promptly, unless the Order characteristics and prevailing market conditions make this impracticable/or client interests request otherwise.
- 4.5.1.3. Retail Clients will be promptly informed by MK employees – by telephone/ e-mail, about any relevant material difficulty to the proper execution of Orders, once the employee has become aware of the difficulty.
- 4.5.1.4. Where MK is responsible for overseeing/ arranging the settlement of an executed Order, MK will take all reasonable steps to ensure that the Client's financial instruments/ funds are correctly and promptly delivered to the Client's account.
- 4.5.1.5. MK will not misuse information relating to pending Client Orders and will take all reasonable steps to ensure that no information is misused by any MK employees.

4.6. Order Allocation Policy

- 4.6.1. MK is only permitted to carry out a Client Order in aggregation with another Client Order in the following circumstances:
 - 4.6.1.1. It will be unlikely that the aggregation of the Orders and transactions will work overall to the disadvantage of any Client whose Order is to be aggregated.

It is disclosed to each Client – whose Order is to be aggregated, that the effect of aggregation may in certain cases work to their disadvantage, as opposed to the order being executed separately.

- 4.6.1.2. All aggregated Orders and transactions will be allocated in accordance with MK's Order Allocation Policy.- Annex 1

4.7. Execution Venues

- 4.7.1. MK only routes Orders to execution venues that it deems sufficient to provide the best possible result. Where MK is aware that it will be unable to obtain the best possible result from a certain venue, it will route the Order to another more appropriate venue.
- 4.7.2. MK is able to transact trades on any of the following execution venues:
 - i. For OTC products:

- a. MK's OTC Counterparties base (including Systematic Internalisers);
 - b. MTFs or OTFs
 - ii. For exchange-traded products, various Stock Exchanges to which MK has an access.
- 4.7.3. For OTC products, MK takes into consideration the liquidity, quotes level and likelihood of execution and settlement. The Company does not commit to trade on a single Execution Venue and will select the Counterparty for each Order separately in accordance with this Policy.
- 4.7.4. For exchange-traded products, the default venue choice is the regulated exchange due to the highest transparency, most competitive pricing and better liquidity. For such instruments execution will be done on one of the following Regulated Markets using a third-party participant with whom MK has entered into an agreement for handling Client Orders:

Country	Stock Exchange
Australia	Australian Securities Exchange (ASX)
Austria	Wiener Börse
Belgium	Brussels Stock Exchange (BSE)
Canada	Toronto Stock Exchange (TMX)
Canada	Canada National Exchange
China	Shanghai Stock Exchange (SSE)
China	Shenzhen Stock Exchange (SZSE)
Cyprus	Cyprus Stock Exchange (CSE)
Czech Republic	Prague Stock Exchange (PSE)
Denmark	Copenhagen Stock Exchange (KFX)
Egypt	Egyptian Exchange (EGX)
Estonia	Tallinn Stock Exchange (TSE)
Finland	Helsinki Stock Exchange (HEX)
France	Euronext Paris
Germany	Deutsche Börse
Greece	Athens Stock Exchange (ASE)
Hong Kong	Hong Kong Stock Exchange (HKEX)
Hungary	Budapest Stock Exchange (BSE)
Iceland	NASDAQ OMX Iceland (ICEX)
Indonesia	Indonesia Stock Exchange (IDX)

Ireland	Irish Stock Exchange (ISE)
Israel	Tel-Aviv Stock Exchange (TASE)
Italy	Borsa Italiana
Japan	Tokyo Stock Exchange
Latvia	OMX Baltic Exchange - Riga (RSE)
Lithuania	OMX Baltic Exchange - Vilnius (VSE)
Luxembourg	Luxembourg Stock Exchange (LUX)
Malaysia	Malaysia Exchange (KLSE)
Netherlands	Euronext - Amsterdam
New Zealand	New Zealand Exchange (NZX)
Norway	Oslo Stock Exchange (OSL)
Philippines	Philippine Stock Exchange (PSE)
Poland	Warsaw Stock Exchange (WSE)
Portugal	Euronext - Lisbon
Romania	Bucharest Stock Exchange (BSE)
Russia	Russian Trading System (RTS)
Russia	Moscow Interbank Currency Exchange (MICEX)
Singapore	Singapore Exchange (SGX)
South Africa	Johannesburg Stock Exchange (JSE)
Spain	Barcelona Stock Exchange (BAR)
Spain	Madrid Stock Exchange (MCE)
Sweden	OMX Nordic Exchange - Stockholm
Switzerland	Berne eXchange (BX)
Switzerland	SIX Swiss Exchange (VTX)
Taiwan	GreTai Securities Market
Thailand	Stock Exchange of Thailand (SET)
Turkey	Istanbul Stock Exchange (ISE)
UK	London Stock Exchange (LSE)
US	American Stock Exchange (AMEX)
US	NASDAQ
US	Chicago Stock Exchange
US	New York Stock Exchange

The list of execution venues on which MK may execute a Client Order is set out above, but it is not exhaustive. It includes those venues on which MK places significant

reliance in its aim to obtain on a consistent basis the best possible result for the execution of Client Orders.

4.8. Direct Market Access (DMA)

- 4.8.1. MK uses brokers with DMA access to fill Clients' Orders for exchange-traded products.
- 4.8.2. Clients place Orders filled electronically at market prices visible to other market participants. In this case, the Company deems that it fulfils the Best Execution responsibilities, while the Client has submitted Special Client Instruction and determined the appropriate price, quantity and other parameters of an Order to gauge the likelihood of an Order being filled given market conditions.

5. ORDER HANDLING POLICY²

- 5.1. The legislation makes provision that all investment firms will have an Order Handling Policy, so that the firm is able to provide the prompt, fair and expeditious execution of its Client Orders.
- 5.2. MK will be executing Orders "on a Client's behalf" where the Client legitimately relies on the Company to protect their interests in relation to the pricing, and other aspects of the transaction that may be affected by how MK executes the Order.
- 5.3. For instance, this will likely be the case when MK executes an Order where a contractual or agency obligation is owed, including where MK deals on its own account, for example:
 - 5.3.1. Executes a Limit Order or a Stop Loss Order;
 - 5.3.2. Executes an Order by dealing as riskless principal on behalf of a Client; or
 - 5.3.3. "Works" an Order on a Client's behalf.

5.4. Order Handling Rules

- 5.4.1. *Fairness*: MK will ensure that Client Orders are executed promptly, fairly and expeditiously, in relation to other Client Orders;
- 5.4.2. *Efficiency in execution*: In the case of a Client Limit Order concerning shares admitted to trading on a regulated market that is not immediately executed under prevailing market conditions, MK will, unless the Client expressly instructs otherwise, take measures to facilitate the earliest possible execution Order. This will be done by

² Section 39, Law No 144(I)/2007

immediately making public the Client Limit Order so it is easily accessible to other market participants. Where MK has transmitted the Client Limit Order to a regulated market, MTF or OTF, it is deemed to have satisfied this obligation;

- 5.4.3. *Customer's appetite:* MK cannot allow Clients to trade a particular instrument at a particular time if it believes that the Client is operationally incapable of settling the transaction at that particular point of time;
- 5.4.4. *Timely execution:* Similar Client Orders will be executed sequentially and MK will ensure timely execution of fund placements and security movements, unless market conditions make it impractical or the customer's interests require otherwise.
- 5.4.5. *Visibility:* In the OTC markets, MK can only give Clients visibility to prices that have been communicated to MK by other Clients or Counterparties that operate in the same market, accordingly any "best outcome" will solely be within these limits;
- 5.4.6. *Fair indicatives:* MK will provide details of all tradable bids and offers, subject to the time availability of prices - the "last traded" price may not always be available or act as a reliable indicator of current price;
- 5.4.7. *Transparency:* MK shall promptly inform the Client about any material difficulty relevant to the processing of the Order; Once the Order is executed, MK shall inform the Client where the Order was executed;
- 5.4.8. *Record-Keeping:* MK shall ensure that the executed Orders are promptly and accurately recorded and allocated.

5.5. Exchange-Traded Securities

- 5.5.1. Orders communicated to the Company by means other than trading terminals (incl. EMSX) are executed through brokers with DMA access on regulated Exchange Venues unless instructed otherwise.
- 5.5.2. MK will clearly notify the Client by email, phone or Bloomberg chat on the opportunity to execute the Order outside of Regulated Market or MTF. The Company shall explain the consequences and upon Client's request, provide additional information about the consequences of this means of execution.

5.6. OTC Products

- 5.6.1. For the OTC securities, the Company relies on indicative pricing of various Counterparties, market data providers, as well as own knowledge and analysis in order to determine reasonable price of the security to achieve Best Execution.

- 5.6.2. In case of absence of interest to the security specified in the Order among available Counterparties, the Order may be transmitted to another dealer-broker or a bank to work the Order further. MK believes that such arrangements can improve execution in situations where the Company lacks expertise in a particular instrument.

6. MONITORING, CONTROL AND RECORD KEEPING

- 6.1.** MK will monitor the effectiveness of its Order Execution Arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, MK shall assess, on a regular basis, whether the execution venues included in the Order Execution Policy provide for the best possible result for the Client or whether they need to make changes to their execution arrangements.
- 6.2.** MK will notify Clients with whom it has an ongoing Client relationship of any material changes to its Order Execution Arrangements or Execution Policy.
- 6.3.** The Company keeps records regarding paid and received monetary and non-monetary remuneration with reasons required in accordance with this Policy.
- 6.4.** Control over implementation of the Order Execution Policy is exercised on a regular basis by the Management Board, Compliance and Risk department, and the Internal Auditor in accordance with their power and in line with legislation.

7. DISCLAIMER

- 7.1.** This Policy does not constitute legal advice.
- 7.2.** All Clients, prior to entering into any of the abovementioned transactions, whether Professional or Retail Clients, are advised to ensure that they have made an independent assessment concerning the transaction(s) and if necessary, seek independent legal advice.

Schedule I – DEFINITIONS

Client	is any individual or legal entity, partnership, corporation, trust, joint venture, government body, or any other person that is not a legal entity but may be a party to a transaction or otherwise enter into a legal relationship.
CySEC	means Cyprus Securities and Exchange Commission
Eligible Counterparty	means any institutions that are registered as credit institutions, insurance undertakings, investment funds, asset managers and other financial institutions authorized by an EU member state or third countries.
EMSX	is a multi-asset class trading platform that integrates Bloomberg exchange and broker data with equity, futures and options Orders.
Execution Venue	means Regulated Market, an MTF or OTF, a Systematic Internaliser (as defined in MiFID II), or a market maker or other liquidity provider or an entity which performs a similar function in a third country to the function performed by any of the foregoing.
Internal Auditor	means K. Treppides & Co Ltd
Financial Instrument	is a transferable security, money-market instrument, derivative, foreign exchange instrument, or other financial instrument traded on the stock exchange market or on the off-exchange market with account to the restrictions and requirements by corresponding legislation or contractual relationships of the parties to an off-exchange transactions.
Limit Order	means an order to purchase or sell a security at or better than a specified price.
Law	The Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(1)/2007) as this may, from time to time be amended, replaced, expanded or re-enacted.
Legislation	means MiFID II, the Law and any other rules of a relevant regulatory authority to which we or you are subject, regulations, directives, ordinances howsoever applying and, where relevant, the market practice of any exchange, market, trading venue, and/or any clearing house.
MIFID II	means Markets in Financial Instruments Directive 2014/65/EU and Markets in Financial Instruments Regulation (EU) 600/2014 (“MiFIR”)
MTF	means a Multilateral Trading Facility operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with the provisions of MiFID II.
Order	means an instruction to buy or sell a Financial Instrument which is accepted by MK for execution or a transmission to a third party.
OTC Securities	securities that are not actively traded on the Regulated Market
OTF	means Organised Trading Facility, functioning as a multilateral system, which is not a Regulated Market or MTF and in which multiple third party buying and selling interests in bonds, structured finance product, emissions allowances or derivatives are able to interact in the system in

	a way which results in a contract in accordance with the provisions of MiFID II.
Prime Broker	means third parties which provide prime brokerage services such as securities lending, leveraged trade executions, cash management among other things.
Professional Client	means a Client whose basic activity is investing into securities, and/or a client that has enough experience and knowledge of financial markets to take investment decisions and evaluate the risks therein. These Clients may be professionals or entities which are required to be authorised or regulated by a supervising authority in order to operate in the financial markets, a national and federal government or central bank, institutional investors whose main activity is to invest in financial instruments or large undertakings that fulfil at least two of the following requirements: a net annual turnover of at least €40,000,000 (forty million Euros); a balance total of at least €20,000,000 (twenty million Euros); and/or own capital of at least €2,000,000 (two million Euros).
Regulated Market	means a multilateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and accordance with its non-discretionary rules – in a way that result in a contract in respect of the financial instruments admitted to trading under its rules and/or systems, and which authorized and functions regularly and in accordance with the provisions of MiFID II.
Retail Client	is a client that does not meet the requirements of an Eligible Counterparty or a Professional Client.
Systematic Internaliser	means an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing Client Orders outside a Regulated Market, MTF or OTF without operating a multilateral system.
Specific Client Instruction	an Order submitted by a Client with predetermined parameters.
Stop-Loss Order	means an Order placed with a broker to sell a security when it reaches a certain price.

ANNEX 1: ORDER ALLOCATION POLICY

1. Introduction

This order allocation policy encompasses all financial instruments that MK transacts in.

2. Scope

The Policy requires that purchase and sales of Financial Instruments should be allocated fairly across all clients unless there are reasons for acting differently. Subject to CySEC rules, MK, may aggregate transaction for client with those of other clients and will allocate such transactions on a fair and reasonable basis.

When MK aggregates a client order with an order for another client or an own account order it will do so in accordance with this Policy and ensure that it is consistently applied.

MK will aggregate transaction only where it is unlikely that the aggregation of orders and transaction will work overall to the disadvantage of any client whose order is to be aggregated.

MeritKapital will ensure that the Policy is effectively implemented providing for the fair allocation of aggregated orders and transactions.

When aggregating an order, MK may execute the order in part if it does not prove possible to execute the order in full. When MeritKapital aggregates a client order with an order for another client, or an own account order, and part or all of the aggregated order has been filled, it must promptly allocate the designated investments concerned in accordance with the Policy.

If the aggregated order is partially executed, MK shall allocate the related trades to the client in priority to any other account orders.

Where MK has aggregated transactions for its own account with one or more client orders it shall not allocate the related trades in a way that is detrimental to a client. Aggregation may delay the execution of a transaction, and it may operate to a client's disadvantage in relation to a particular order.

3. Criteria

Criteria to determine allocations and the treatment of partial executions as part of the Policy include consideration of the volume and price of orders. Where an instruction is given on behalf of a number of clients, and where a pre-allocation has been made for those clients, stock should be allocated on a **pro-rata basis** unless there are sound reasons for applying alternative allocation criteria. Please refer to the sample of allocation below:

Scenario of allocation

MK places an order for a primary bond issue on behalf of a Client in nominal value of 5mio;

MK places an order for the same security in nominal value of 3mio for its own book;

In total MK placed an order of 8mio in nominal value with the lead banks and brokers.

Allocations comes out at 2mio in nominal value which is 25% of total 8mio order.

The Client gets an allocation of 1.25mio (which is 25% of the Client`s order)

MK gets an allocation of 0.75mio (which is 25% of the proprietary order)

Should the Client have an interest in increase of exposure of a newly issued security, the Client may place additional order for newly issued security. In this case, MK will be able to execute the trade at the market price either from their book or from the market, strictly following Order Execution Policy.

The instrument would not be allocated to a client if it would be uneconomic or prohibitive, from a dealing cost point of view, for the client. An allocation would be regarded as uneconomic or prohibitive if the administrative cost of the transaction as disproportionate to the value of the instrument allocated.

All allocations should be made on a timely basis and records kept of the basis of allocation and any change to that allocation.