

**FOSSAR MARKAÐIR HF.**

**POLICY ON BEST EXECUTION OF CLIENT ORDERS**

**1. Purpose and scope**

- 1.1. This policy has been enacted with reference to Article 18(2) of Act 108/2007 on Securities Transactions and Part 7 of Regulation 995/2007 on Investor Protection and the Business Conduct of Financial Undertakings.
- 1.2. By enacting a policy for best execution of client orders Fossar Markaðir hf. („**Fossar**“) endeavours to obtain the best possible result for its clients when receiving, transmitting, and executing orders and investment advice, taking into account price, cost, speed likelihood of execution and settlement, size, nature and any other consideration relevant.
- 1.3. The policy applies to retail clients and professional clients. The policy only applies to eligible counterparties if they have explicitly so requested, cf. Article 22(3) of the Securities Act.
- 1.4. The policy applies to the reception, transmission, and execution of orders, unless a client expressly provides for a specific procedure.
- 1.5. The policy does not apply when Fossar makes public quotes of professional investors, request quotes from professional investors or when professional investors request a quote. Products which do not fall within the definition of the Act are not subject to this policy.

**2. Principles on execution of orders**

- 2.1. Client orders shall be carried out in a fair and manner and as soon as possible. Otherwise comparable client orders shall be executed in accordance with the time of their reception, unless this should be impossible due to the nature of the client order, prevailing market circumstances or if another method is considered better suited to the transaction.
- 2.2. Orders which are carried out on behalf of a client shall immediately be registered and directed to the proper channels. In case of any significant difficulties in carrying out an order without delay a retail client shall be notified thereof.
- 2.3. In the case of a client limit order which is not executed as soon as it is received owing to prevailing market conditions, the financial undertaking shall, unless the client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in an easily accessible manner.

- 2.4. In executing a client order Fossar will choose the place of business which is most suitable for those aspects relevant for obtaining the best possible outcome. Should the client provide for a specific procedure Fossar will carry out its instructions.
- 2.5. Should the client not provide for a specific process Fossar will execute a client order in the following manner or by jointly utilising the following:
  - 2.5.1. Outside a regulated securities market or MTF by a transaction with a third party; and
  - 2.5.2. On a regulated securities market or MTS or, in such cases where Fossar is not party to the relevant market or MTS, through the participation of a third party which Fossar has entered into an agreement with for execution of client orders on its behalf on the relevant regulated securities market or MTF.
- 2.6. Fossar will generally execute client orders on a regulated securities market or MTF. Fossar generally applies this process as markets provide for transparent pricing of financial instruments, transactions are processed expeditiously, it is easy to realise the cost involved in procuring the transaction and the chance of being able to reach an agreement is more than outside of markets.
- 2.7. Fossar will only carry out the instructions of a client by instructions of another client when the following conditions are fulfilled:
  - 2.7.1. It is unlikely that a collection of orders and transactions in their entirety will prove unfavourable for any client; and
  - 2.7.2. Collection does not unfavourably affect a specific client order; and
  - 2.7.3. The execution is in line with Fossar's policy on the disbursement and distribution of orders.

### **3. Best execution of client orders**

- 3.1. In this policy the term best execution refers to the obligation of a financial undertaking to ensure its client the best possible conclusion. In considering best execution a single transaction is not necessarily considered, but consideration is rather given to registered transactions over a specified time period which indicate that on the whole best execution would be achieved by executing the client order in such a place of business in accordance with the provisions of this policy.
- 3.2. Although all reasonable measures will be taken to obtain the best possible conclusion for clients, based on the means available and the circumstances operated under, it is not possible to ensure that in every case the best conclusion can always be obtained. Should the employees of Fossar follow this policy in all respects Fossar will generally be considered to

have satisfied its obligation to have made reasonable arrangements to ensure its clients as fair a conclusion as possible.

3.3. In executing client orders Fossar will consider the significance of different issues which can affect the price or other aspects of the transaction, which are subject to execution by the company, to the effect of ensuring the best possible conclusion for the client. The issues which may come under consideration are as follows:

3.3.1. Price;

3.3.2. Cost;

3.3.3. Speed;

3.3.4. Likelihood of the transaction being completed and settled;

3.3.5. Scope of the transaction;

3.3.6. Nature of the transaction;

3.3.7. Settlement and payment; and

3.3.8. Other issues which may come under consideration when executing transactions.

3.4. Although price and cost will generally carry the most weight when seeking to obtain the best possible conclusion, particularly in cases of retail investors, circumstances may result in other issues carrying more weight when considered in light of who the client is, the nature of the order, what financial instruments are involved, or on which market the transaction is carried out.

3.5. Fossar determines the proportional value of individual issues when executing client orders for each transaction on the basis of the following considerations:

3.5.1. How the relevant client is categorised in accordance with act no. 108/2007 on Securities Transactions,

3.5.2. The nature and specifics of the financial instrument;

3.5.3. The nature and the specifics of the markets to which the order may be directed; and

3.5.4. The nature of the client order.

3.6. In such cases where Fossar executes a transactions on a new market other issues, such as the price spread, liquidity and cost may carry additional weight as compared to established markets.

- 3.7. The provisions of Articles 3.3-3.6 do not apply when a client provides for a specific procedure for carrying out a client order. In such cases the order will be carried out without regard to those issues outlined above.

#### **4. A client provides for a specific procedure**

- 4.1. Should a client provide for a specific procedure for executing a securities transaction or another manner of executing transaction than provided for in this policy Fossar shall endeavour to execute the order in accordance therewith. Fossar is thereby considered to have fulfilled its obligation to seek to ensure the best possible conclusion for clients, insofar as its execution of an order or a specific part of an order is in accordance with the specific instructions of a client.
- 4.2. Fossar shall inform a client that by providing for a specific execution of client orders there is a chance that the best possible conclusion may not be obtained.
- 4.3. If a client provides for a specific execution of orders to a limited extent Fossar will adhere to the policy for best execution in other aspects.

#### **5. Execution of client orders on a market**

- 5.1. Fossar is party to Nasdaq OM Iceland and the First North MTF as regards transactions with both shares and notes and thus primarily executes client orders on these markets. Other markets may also be utilised. Fossar will consider each time which market is most likely to allow for obtaining the best execution of client orders. In choosing a market the relevant issues will be considered, such as the integrity of the market, its ability to process complex financial instruments and the company to the company of executing orders on each market. In those instances where only one market is for consideration Fossar is considered to have fulfilled its obligations under this policy.
- 5.2. Under normal circumstances Fossar processes client orders in the following manner:
- 5.2.1. Immediately sending an order to a regulated securities market or multilateral trading facility.
- 5.2.2. Executing the order by one or more transactions on a market.
- 5.2.3. Utilising an order by one client to satisfy an order by another client at a price which is equal to market value.

#### **6. Execution of client orders outside of markets**

- 6.1. Fossar may conclude that it is necessary, in order to ensure the best possible conclusion when executing a client order, to execute a client order outside of regulated securities markets or multilateral trading facilities.
- 6.2. In accordance with Article 8(3) of Act 108/2007 on Securities Transactions Fossar is obligated to explicitly inform clients, and procure their consent, if the intention is to execute a client order outside of markets. By signing Fossar's terms and conditions for securities transactions a client consents to Fossar executing client orders in accordance with this policy outside of markets.
- 6.3. Should Fossar receive a client order relating to financial instruments which are traded on a regulated securities market or MTF which Fossar is not party to, Fossar will execute such an order by transmitting it, on the basis of an agreement to that effect, to a broker which is party to or have access to the relevant markets. Fossar's choice of such brokers is based on an evaluation of their ability to execute the order properly and on the basis of those issues which are relevant.

## **7. Supervision and review**

- 7.1. Fossar will maintain supervision of these procedures being in accordance with law and that they are adhered to by the company's employees. The procedures shall be reviewed annually and will only be amended in writing. Such amendments take effect when the board of directors of Fossar has confirmed them.

## **8. Disclosure**

- 8.1. Fossar will publish this policy on its website and refer to it in its terms and conditions.
- 8.2. In case of this policy being amended Fossar will inform its clients to that effect. By publishing a new or amended policy on its website Fossar shall be considered to have fulfilled its disclosure requirements under this Article.
- 8.3. If Fossar provides services to retail investors it shall, before the services are provided, provide information as provided for in Article 46(3) of Act 995/2007.
- 8.4. Upon the request of a client, Fossar shall be able to demonstrate that the client order was carried out in accordance with this policy.

*Approved by the board of directors of Fossar markaðir hf. on 15 May 2015*

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