

Icelandic Investors Ltd.

RULES ON BEST EXECUTION OF BUSINESS INSTRUCTIONS



MAY 2020

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1. Purpose and scope

- 1.1. These rules are set based on par. 2 of Art. 18 of Act no. 108/2007 on Securities Trading and Part 7 of Regulation no. 995/2007 on investor protection and business practices of financial undertakings.
- 1.2. Icelandic Investors Ltd. (hereafter "*Icelandic Investors*," "*ÍFJ*" or "*the company*") endeavours with its rules on the best execution of business instructions to achieve the best possible outcome for its customers through receipt and brokerage, execution of business instructions, investment consultancy and other securities transactions falling under the company's operating permit each time, respecting price, cost, speed, the likelihood of the trade occurring, the scope, nature, and other important factors.
- 1.3. The rules apply to general investors and investment funds. The rules only apply to authorised parties if they have so requested, cf. par. 3 of Art. 22 of the Securities Trading Act.
- 1.4. The rules apply to the receipt, brokerage, and execution of business instructions unless the customer specifies a specific execution.
- 1.5. The rules do not apply when the company publishes price offers of investment funds, calls for price offers of investment funds, or when investment funds request a price offer. This code of practice does not cover products that the act does not define.

2. Main rules on executing business instructions

- 2.1. Customers' instructions shall be carried out reasonably and as quickly as possible. Customers' otherwise comparable instructions shall be acted on in the order they were received unless doing so is impossible because of the nature of the instructions, market conditions, or if another execution is deemed better for the customer.
- 2.2. Instructions executed for customers shall be entered immediately and directed into the right channel. If real problems arise in carrying out instructions without delay, general investors shall be notified this.
- 2.3. When explicit instructions are involved that are not carried out as soon as received because of market conditions, Icelandic Investors, unless the customer instructs otherwise, shall arrange for the instructions to be carried out as quickly as possible by publishing them immediately and accessibly. This duty is fulfilled by passing the instructions to an organised securities market or multilateral trading facility (MTF). It is possible to seek an exemption from publication from the Financial Supervisory Authority, Iceland. By signing Icelandic Investors' trading terms on securities trading, a customer is deemed to have agreed that Icelandic Investors shall evaluate whether and when to publish such orders.
- 2.4. In executing business instructions, Icelandic Investors will choose the trading site best suited to the factors important for achieving the best possible outcome. If a customer prescribes a certain execution, Icelandic Investors will follow its instructions.
- 2.5. If the customer does not prescribe a definite execution, Icelandic Investors will carry out the business instructions as follows or a combination of the following items:
 - 2.5.1. Outside an organised securities market or MTF by transactions with a third party; and
 - 2.5.2. In an organised securities market or MTF or, when Icelandic Investors are not a party to the relevant market or MTF, by the participation of a third party that Icelandic Investors have an agreement with to execute business instructions on their behalf in the relevant organised securities market or MTF.
- 2.6. The main rule is that Icelandic Investors carry out customers' business instructions in an organised

securities market or MTF. Icelandic Investors choose, in this way, to follow the main rule since, in a market, the pricing of financial instruments is transparent; the speed in executing transactions is high; it is easy to figure the cost of acquiring the trades, and the chances are that agreements will get more than in the off-market.

2.7. Icelandic Investors only see to a customer's instructions through instructions to another customer when the following conditions are met:

- 2.7.1. Agglomeration of instructions and transactions will generally not prove altogether disadvantageous for a customer; and
- 2.7.2. Agglomeration has no disadvantageous effect on a customer's specific instructions; and
- 2.7.3. The execution accords with Icelandic Investors' policy on the allocation and distribution of instructions.

3. Best execution of business instructions

3.1. Best execution of business instructions in these rules means the duty of a financial company to ensure its customers' best possible outcome. Evaluating the best execution does not necessarily mean particular transactions but rather evaluating recorded transactions over a definite period that indicate, on the whole, best execution by carrying out customers' instructions at a site of business accordant with the instructions of the code of practice.

3.2. Despite searching for all normal ways to achieve the best outcome for customers, based on the available alternatives under the circumstances underlying the work, it is not possible to ensure that each instance will involve the best outcome. If Icelandic Investors' completely follow these rules, it will generally be deemed that Icelandic Investors have performed their duty to ensure their customers the most favourable outcome.

3.3. In executing business instructions, Icelandic Investors evaluate the importance of different factors that can affect value formation or other aspects of the transactions that are subject to their execution on behalf of the company, to ensure the best possible outcome for the customers. The possible factors to examine are:

- 3.3.1. Price
- 3.3.2. Cost
- 3.3.3. Speed
- 3.3.4. Likelihood of the success of the trading and price settlement
- 3.3.5. Scope of trading
- 3.3.6. Nature of trading
- 3.3.7. Settlement and payment and
- 3.3.8. Other factors possibly requiring examination upon the execution of trading

3.4. Despite the price and cost generally being most important when seeking the best possible outcome, especially when general investors are involved, circumstances can result in other factors weighing more, considering the customer involved, the wording of instructions, the financial instruments involved, and the market on which the trading occurs.

3.5. Icelandic Investors determine the proportional weight of individual factors in the execution of business instructions for each transaction, based on the following criteria:

- 3.5.1. In which category under Act no. 108/2007 on Securities Transactions the customer involved falls
- 3.5.2. Nature and characteristics of a financial instrument
- 3.5.3. Nature and characteristics of the markets to which it is possible to direct instructions and
- 3.5.4. Nature of the customer's instructions

3.6. In instances where Icelandic Investors execute transactions on new markets, other factors, like differences in price spread, saleability, and costs, can have increased importance, compared to a developed market.

3.7. The provisions of Art. 3.3 to 3.6 are not pertinent when a customer specifies a certain execution of

business instructions. In such instances, the instructions will be executed without respect to the factors described above.

4. Customer stipulates a certain execution

- 4.1. If a customer specifies a certain execution of securities transactions or an execution of transactions other than the one these rules specify, Icelandic Investors shall endeavour to carry out the customer's instructions. Icelandic Investors deem that they thereby fulfil their obligation to find ways to ensure the best result for customers, to the extent that it carries out instructions or a specific part of them under a customer's special instructions.
- 4.2. Icelandic Investors shall inform a customer that by specifying a certain execution of business instructions, the best possible outcome will most likely not be achieved.
- 4.3. If a customer specifies a certain execution of instructions to a limited degree, in other respects, Icelandic Investors will follow the rules on best execution.

5. Execution of business instructions on a market

- 5.1. Icelandic Investors are a member of Nasdaq OMX in Iceland and First North multilateral trading facility regarding transactions with both shares and bonds and therefore carries out the main policy on business instructions on these markets. Other markets may be considered. Icelandic Investors evaluate each time which market will be likeliest to achieve the best execution of business instructions. In selecting a market, we focus on the possible relevant points, for example, the market's reliability, its potential for handling complex financial instruments, quality, and other aspects. In evaluating markets, Icelandic Investors will consider its commission and costs in carrying out instructions on each market. In instances where there is only one viable market, Icelandic Investors' view is that it has fulfilled its duties under these rules.
- 5.2. Under usual circumstances, Icelandic Investors will handle business instructions as follows:
 - 5.2.1. Send an order immediately to an organised securities market or multilateral trading facility for financial instruments.
 - 5.2.2. Execute the order with one or several different transactions on a market.
 - 5.2.3. Utilise one customer's order to fulfil another customer's order at a price corresponding to the market price.

6. Execution of business instructions off-market

- 6.1. Icelandic Investors can decide that it is necessary, to ensure the best possible result from executing business instructions, to carry out customers' instructions outside of organised securities markets or multilateral trading facilities for financial instruments.
- 6.2. Under par. 3 of Art. 8 of Act no. 108/2007 on Securities Transactions, the company must inform customers individually and secure their agreement if the plan is to execute transactions off-market. By signing Icelandic Investors' business terms on securities transactions, a customer agrees that Icelandic Investors carry out business instructions off-market generally under this code of practice.
- 6.3. If Icelandic Investors get business instructions on financial instruments under which trading occurs on an organised securities market or multilateral trading facility to which Icelandic Investors are not a party, Icelandic Investors will execute such instructions by passing them on, according to an agreement thereon, to intermediaries that are members of or have access to the relevant markets. The company's selection of such intermediaries builds on an evaluation that they are capable of executing the instructions well and on the basis of the important factors.

7. Supervision and auditing

- 7.1. Icelandic Investors will supervise the conformity of this code of practice to the law, and that the company's employees follow the code. The rules shall be reviewed each year and will only be changed in writing. Such changes enter into force when the Icelandic Investors' Board of Directors confirms them.

8. Disclosures

- 8.1. Icelandic Investors publish these rules on their homepage and refer to them in their terms.
- 8.2. If these rules change, Icelandic Investors will inform its customers of this. By publishing a new or changed code of practice on its homepage, Icelandic Investors deem that they have fulfilled their duty to inform under this article.
- 8.3. If Icelandic Investors provide services to general investors, before providing the services, they shall take care to make disclosures per par. 3 of Art. 46 of Regulation no. 995/2007.
- 8.4. At a customer's request, Icelandic Investors shall prove that its instructions have been executed per this code of practice.

Approved by the Board of Directors of Icelandic Investors Ltd. 14 May 2020

The Board of Directors of Icelandic Investors Ltd.