

# **Rabobank International, Global Financial Markets (Equity Trading)**

## **Order Execution Policy and Explanatory Notes**

### **1 Purpose**

**This document is an order execution policy (the “Policy”) within the meaning of article 21(2) of the Markets in Financial Instruments Directive (Directive 2004/39/EC, the “MiFID”) as implemented in article 4:90b of the Dutch Financial Markets Supervision Act (‘Wet financieel toezicht’, the “FMSA”). The Explanatory Notes and the List of Regularly Used Trading Venues (as defined in article 8.1) are part of this Policy. This Policy is effective as per 15 September 2010 and may be amended from time to time. The Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., a regulated Netherlands credit institution, having its statutory seat in Amsterdam, The Netherlands, acting as Rabobank International, Global Financial Markets (Equity Trading, Utrecht) (“Rabobank International”) will fulfill its best execution obligations as set out in this Policy.**

### **2 Applicability**

This Policy is exclusively applicable to clients that are classified, either by law or upon their personal request, as a professional investor (‘professionele belegger’, as defined in article 1:1 FMSA) and have not been qualified as eligible counterparty (‘in aanmerking komende tegenpartij’, as defined in article 1:1 FMSA).

### **3 Orders, Specific Instructions and ‘Requests for Quotes’**

- 3.1 An order within the meaning of this Policy (an “Order”) is any order in respect of financial instruments (“Financial Instruments”) that are traded either on a regulated market, a multilateral trading facility (‘MTF’), through third party systematic internalisation or by a market party that performs a similar function in a country outside the European Union (“Trading Venues”) originating from a professional investor and that is eligible for immediate acceptance by the Trading Venue to which the Order will be directed.
- 3.2 A specific instruction within the meaning of this Policy (a “Specific Instruction”) is, among others, (i) an instruction of the client to execute an Order on a particular Trading Venue or (ii) that part of an Order that prevents it from immediate acceptance by the relevant Trading Venue. This means that Rabobank International in respect of that Order is obliged to take additional measures to ensure the execution of the Order and Specific Instruction.
- 3.3 Rabobank International satisfies the obligation to take all reasonable steps to obtain the best possible result for the client to the extent that it executes an Order or a specific aspect of an Order following a Specific Instruction. The fact that the client has given a Specific Instruction which covers one part or aspect of an Order will not release Rabobank International from its best execution obligation in respect of any other part of that Order not covered by that Specific Instruction.
- 3.4 Clients may request Rabobank International to provide a price on which Rabobank International is prepared to enter into a transaction with regard to a particular Financial Instrument (‘Request for Quote’). If the client accepts the quote and a transaction is concluded, Rabobank International will for the purpose of this transaction act as principal and on own account with the client and, consequently, not on behalf of the client. In this case, Rabobank International does not have any best execution obligations. See further 6 below.

### **4 Benelux Equities**

- 4.1 For the purpose of this Policy, “Benelux Equities” are shares or similar securities issued by an entity having its statutory seat or business headquarter within The Netherlands, Belgium or Luxemburg (jointly the “Benelux”) or shares or similar securities issued by an entity outside the Benelux but having its most relevant market within the Benelux.

- 4.2 As Rabobank International aims to be the preferred broker for Benelux Equity Orders, Rabobank International will endeavor (a) to have access to the most liquid Trading Venues within the Benelux for Benelux Equities, (b) may contact other pools of liquidity that are, in the opinion of Rabobank International, likely prepared to buy or sell all or parts of the subject Benelux Equities on terms favorable to the client and (c) will take all other reasonable steps to obtain the best possible result for its client. Rabobank International will take into account price, cost, speed likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the Order. Unless the client has provided a Specific Instruction, Rabobank International considers price and the likelihood of execution as the most important factors in determining best execution with regard to a Benelux Equity Order.
- 4.3 Unless the client has provided a Specific Instruction or Rabobank International has determined another trading method providing a better result for the client, Rabobank International will send Benelux Equity Orders to the most liquid Trading Venue.

## **5 Other Financial Instruments**

- 5.1 Rabobank International may accept Orders in respect of Financial Instruments other than Benelux Equity, such as shares of issuers having their country of origin outside the Benelux, bonds, forms of securitised debt, units in collective investment undertakings (including exchange traded funds) or listed structured products.
- 5.2 In order to provide best execution with regard to Financial Instruments other than Benelux Equities, best execution will be provided by sending the Order to the most liquid Trading Venue in respect of the subject Financial Instrument. Rabobank International will take into account price, cost, speed likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the Order. Unless the client has provided a Specific Instruction, Rabobank International considers price and likelihood of execution, in addition to liquidity, the most important factors in determining best execution.

## **6 Acting as principal**

- 6.1 Rabobank International may act for its own account as counterparty to the client (trading as principal) if (a) this is not contrary to the best interest of the client and (b) the client has not indicated explicitly otherwise in a Specific Instruction. Depending on the size and nature of the Order, acting for own account by Rabobank International may relate to a part or the total volume of the Order. If Rabobank International acts as principal for the purpose of executing Orders, the client will be informed on this in advance.
- 6.2 Under the current terms of its best execution arrangements, Rabobank International will not act as systematic internaliser for the purpose of executing Orders.

## **7 Monitoring and annual review**

- 7.1 Rabobank International will monitor the effectiveness of its order execution arrangements and this Policy in order to identify and, where appropriate, correct any deficiencies.
- 7.2 Rabobank International will review this Policy annually. Rabobank International will also review and possibly amend this Policy in the event a material change occurs that affects the ability of Rabobank International to continue to obtain the best possible result on a consistent basis. Rabobank International may, in its sole discretion, decide when a change occurs requiring such review and/or amendment prior to the regular annual review of this Policy.

## **8 Selecting Trading Venues and Executing Brokers**

- 8.1 The Trading Venues regularly used by Rabobank International (the "List of Regularly Used Trading Venues") may change from time to time. The most recent version may be available on the Rabobank Group Internet sites, most likely [www.rabobank.com](http://www.rabobank.com), or will be provided upon request. If a Financial Instrument is traded on more than one Trading Venue and that Trading Venue is not already mentioned in the List of Regularly Used Trading Venues, Rabobank International will consider to obtain access to that Trading Venue which is likely to provide on a consistent basis the best possible result for the execution of Orders. For the purpose of selecting a Trading Venue, Rabobank International will consider (i) the availability and transparency of published tradable prices at

Trading Venues, (ii) the liquidity of Trading Venues for normal market sizes in respect of that particular Financial Instrument, (iii) the investments required by Rabobank International in order to obtain access to the relevant Trading Venue, if not already electronically connected and (iv) any other criterion that Rabobank International considers to be relevant in order to meet the best possible result for the execution of Orders on a consistent basis.

- 8.2 Rabobank International may obtain access to Trading Venues by either its own membership of a Trading Venue or through a third party having access to the relevant Trading Venue (an "Executing Broker"). For the purpose of selecting an Executing Broker, Rabobank International will take reasonable efforts to act in the best interest of its client and, as far as reasonably possible under the laws and market practices applicable to that the relevant Executing Broker, ensure that the Executing Broker meets the criteria of article 4 and 5 of this Policy.

## **9 Evidence**

Upon the reasonable request of a client and provided that the Order was subject to the Policy, Rabobank International will demonstrate to the client that it has executed the client's Order in accordance with this Policy. Subject to evidence to the contrary, the records of Rabobank International will constitute conclusive evidence of the actions taken by Rabobank International in order to achieve best execution for the client.

## **10 Changing market situation; force majeure**

- 10.1 Exceptional circumstances with regard to a Financial Instrument may require specific measures when executing or transmitting Orders. These exceptional circumstances could include (i) the event that an issuer becomes subject to a downgrade or enters into bankruptcy, suspension of payments or similar proceedings, (ii) a de-listing affecting the liquidity of the relevant Financial Instrument, or (iii) the temporary suspension of the trading of the relevant Financial Instruments caused by actions of the government, supervisory authorities or the Trading Venue. In order to obtain the best possible results for its clients under these exceptional circumstances, Rabobank International may follow other execution or transmittance procedures than those described in this Policy. In that case, Rabobank International shall not be liable for non-compliance with this Policy.
- 10.2 The obligation of Rabobank International to perform best execution under the terms and conditions of this Policy may be delayed or excused by an event that is beyond the control of Rabobank International. Article 15 of the Rabobank International' Terms of Business (Force Majeure) applies in such circumstances.

## **11 Consent with this Policy**

- 11.1 Unless Rabobank International requests a client to express his consent otherwise, consent to this Policy is expressed by submitting an Order with Rabobank International after receipt of this Policy by the client.
- 11.2 This Policy, including the Explanatory Notes and the List of Regularly Used Trading Venues, may be amended from time to time by Rabobank International. The amended Policy will be published and is available for free download on the Rabobank Group Internet Sites, most likely [www.rabobank.com](http://www.rabobank.com), or any successor website. Upon request, a copy of the amended Policy will be sent free of charge to the client. As far as required, the client expresses his consent to the amended Policy by submitting an Order after publication of the amended Policy.

## **12 Communication**

Rabobank International may draw the client's attention to an amendment of this Policy by means of all type of media, regularly used for communications between Rabobank International and its professional client, such as telephone conversations, facsimile, e-mail or SWIFT-message.

## **13 Governing law and jurisdiction**

This order execution policy is governed by the laws of the Netherlands. The competent court of Amsterdam, The Netherlands, shall have exclusive jurisdiction with regard to all disputes in connection with this Policy.

# **Explanatory Notes**

## **Introduction**

These are the explanatory notes to the order execution policy of Rabobank International (the "Policy"). Capitalised but undefined terms used in these explanatory notes have the same meaning as in the Policy. In the Policy, we described our policy regarding best execution. In these explanatory notes, we will give you background information on our considerations in formulating the Policy. Rabobank International believes that best execution is not just about meeting requirements, but is the very essence of the brokerage service we are offering you. By combining the clarity of the Policy with a certain level of flexibility resulting from these explanatory notes, we are well equipped to meet the overarching requirement of best execution: taking all reasonable steps to obtain the best possible results for our clients.

## **Articles 2 and 3: scope of the Policy**

The scope of our Policy is defined by legal requirements as well as our own business decisions. With regard to our business, Rabobank International has decided to offer its order execution services only to professional investors (by law or by election). Non-professional investors are serviced through other distribution channels within the Rabobank group. From a legal point of view, we are not required to provide best execution by compliance with the Policy to clients classified as eligible counterparties ('in aanmerking komende tegenpartij'). Best execution is also not applicable if we do not act on your behalf. This is for example the case if transactions are concluded upon a request for quote (see article 2 and 6). Also for legal reasons, we have defined what we consider as an 'Order' and to what extent a part of such Order is considered a 'Specific Instruction'. For example, a Specific Instruction may refer to a particular time frame during a business day in which an Order should be executed or a particular proportion between the volume of the Order and the total trading volume on a particular business day. With regard to Orders, the procedures as outlined in the Policy apply. If we act in accordance with your Specific Instruction, we provide best execution by compliance with this Specific Instruction. Orders containing Specific Instructions are also referred to as 'care orders' (article 3).

## **Article 4: Benelux Equities**

The execution of Orders in respect of Benelux Equities touches upon the heart of our business. Although from a business point of view we expect not much discussion with our clients on the question what instruments are Benelux Equities - basically, listed shares of issuers having their most relevant market within the Benelux - we have nevertheless tried to describe what type of securities we refer to (article 4 section 1). In current practice, all Financial Instruments are listed on regulated markets as referred to in the FSMA. With a view to the future, it is not unlikely that more securities will become tradable without being listed on a regulated market. For this reason, we refer to 'tradable' rather than 'listed' Financial Instruments. As we have focused our order execution business on Benelux Equities we can offer you with regard to these securities the widest range of options and most various steps to obtain the best possible results for you (article 4 section 2). In the current market situation and save for the situation as mentioned in article 6, almost all Orders will be sent to a regulated market within the Benelux-territory (article 4 section 3). However, if the markets will change in the future, we will endeavor to have access to other Trading Venues in order to keep our services on a competitive level (article 4 sections 2 and 3; see also articles 7 and 8).

## **Article 5: other financial instruments**

We may accept Orders with regard to Financial Instruments that are not Benelux Equities (article 5 section 1). However, as we have our primary focus on Benelux Equities, we do not offer the same range of options to be considered by obtaining best execution with regard to such other Financial Instruments. For this reason, the policy with regard to such Financial Instruments is less elaborated compared to Benelux Equities. Given your status as professional investor, we believe that we are not required to inform you in the Policy or in these explanatory notes on all particularities of each Financial Instrument. For example, you will be aware that some of these Financial Instruments, given their characteristics, are only traded on one Trading Venue (such as listed options) or have just one trading moment per business day (such as some units in collective investment undertakings). Obviously, the characteristics of each Financial Instrument may affect the way in which best execution is realised. Orders are submitted to the most relevant markets. With regard to some Financial Instruments, this is the only available market (article 5 section 2).

### ***Article 6: acting as principal***

Article 6 specifies that we may act as your counterparty in order to execute Orders. Acting as your counterparty needs us to support in obtaining the best possible results for you. Upon execution of the Order, it will be indicated in the confirmation that we have acted as your counterparty. If you explicitly do not want us to purchase your Financial Instruments as part of the execution of your Order, you can specify this in the Order (Article 6 section 1). Under the current Policy, we will not execute Orders for our own account on an organised, frequent and systematic basis and for this reason we are not a systematic internalisator. For the avoidance of doubt, this is explicitly stated in the Policy (article 6 section 2).

### ***Article 7 and 8: annual review; selecting trading venues and executing brokers***

As part of our business, we will closely monitor any new trading venue that will enter the market. Monitoring these trading venues and considering to obtain access is part of the annual review of the Policy (article 7). From a legal perspective, we are not obliged to have immediate access to each and every trading venue, whether through direct membership or through Executing Brokers. We have made our own selection criteria. This is underlined in the Policy (article 8). However, from a commercial perspective we are nevertheless fully committed to obtain for you the best possible result when executing Orders. This may enable us to establish relatively fast an access to new trading venues, in particular if these trading venues trade Benelux Equities.

### ***Article 9 and 10: Evidence and changing market situations***

Articles 9 and 10 are of a legal nature. If you have reasonable doubt on the question whether we have met the best execution requirement with regard to your Orders, you may request us to demonstrate how we have fulfilled our obligation. In that case, we have to demonstrate that we acted in accordance with the Policy (article 9). Given the dynamics of the financial markets, exceptional circumstances may require us to take actions other than those as outlined in the Policy in order to get the best possible result within these exceptional circumstances. Obviously, we are in such situation not liable for non-compliance with the regular best execution procedures as set out in the Policy (article 10).

### ***Article 11 and 12: consent and communication***

Due to the dynamics of the financial markets, we need a certain level of flexibility with regard to best execution, including the possibility to easily add or remove trading venues. However, we also want you to be sufficiently informed on our best execution approach to enable you to make an informed decision on our services and to express your consent to our Policy. We have tried to find a fair balance between these requirements. Firstly, if you continue to provide us with Orders (or in case of new clients: by submitting your first Order), you give us your consent with the Policy (article 11). Secondly, we have committed ourselves to make amendments to the Policy public on our website. This enables you to be continuously informed on the latest status of our Policy. We believe this is an appropriate way of communication with our clients (article 12).

*Rabobank International, Global Financial Markets (Equity Trading), Utrecht, 15 September 2010*

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