

● Order Execution Policy



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Information on SOVA CAPITAL LIMITED Order Execution Policy for Professional Clients

Introduction

This document sets out information and the approach of SOVA CAPITAL LIMITED (“SOVA”) to its order handling, including providing the best possible execution result on a consistent basis. These are documented in SOVA’s **Order Execution Policy**.

The Markets in Financial Instruments Directive 2014/65/EU (“**MiFID II**”) came into force on 3 January 2018. The order handling and best execution requirements are contained in Articles 27 - 28 and are transposed in the UK Financial Conduct Authority (“**FCA**”) Handbook in COBS 11 (“**COBS**”).

MiFID II and COBS require SOVA to treat customers fairly, mitigate conflicts of interest and take all sufficient steps to obtain the best possible result for its Professional clients (“**client**”).

This document applies only to clients that SOVA has categorised as **Professional Clients** (and confirmed the same in writing to the client) and only to dealings in **Financial Instruments** (each as defined in MiFID II).

SOVA is authorised and regulated by the FCA, and provides a brokerage service to its clients in many asset classes.

1. Order Handling - Aggregation, Execution Promptly and Fairly

1.1. SOVA will take sufficient steps to execute client orders in a prompt, fair, and expeditious manner relative to other client orders. SOVA will execute comparable client orders sequentially in accordance with the time of their reception unless otherwise instructed by the client; or the characteristics of the client order or prevailing market make this impracticable.

1.2. Client orders will only be carried out in aggregation with another client order if: the order is executed on a venue where order aggregation is allowed; it is unlikely that the relevant aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and it has been previously disclosed to a client that their orders may be aggregated and that the effect of aggregation may work to its disadvantage in relation to a particular order.

1.3. SOVA will allocate trades promptly and fairly. As a result of an order being aggregated, it may be carried out in the form of a block trade where permitted by the venue.

2. Scope of Best Execution

2.1. To satisfy its obligation to provide best execution it must take into account execution factors, such as price, costs, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration, whether SOVA is executing orders on behalf of clients or placing orders with, or passing orders to, others for execution. This overarching obligation to obtain the best possible result for clients is referred to as SOVA’s Best Execution obligation.

2.2. Best Execution is only owed when SOVA accepts an order to execute a transaction on behalf of the Client or in other circumstances where it has otherwise expressly agreed to accept such Best Execution obligation.

2.3. When SOVA provides quotes or negotiates a price with its Clients, on request (i.e. dealing on quote), the Best Execution obligation shall apply where the Client is relying on SOVA to obtain best execution.

2.4. Where SOVA is dealing on own account, the Best Execution obligation shall apply where the Client is relying on SOVA to obtain best execution.

2.5. Details of the order handling policies relating to each Financial Instrument are outlined in Appendix 1.

3. Best Execution and Relevant Factors

3.1. When executing orders on behalf of clients in relation to Financial Instruments, SOVA will take all sufficient steps to achieve Best Execution. SOVA has in place policies and processes which are designed to obtain the best possible execution result on a consistent basis, subject to and taking into account the Financial Instrument subject to the order, the nature of the order, the execution venues available to SOVA for such Financial Instruments and the priorities the client places upon SOVA executing those orders. For the avoidance of doubt, an order is an instruction to buy or sell a financial instrument which is accepted by SOVA for execution or onward transmission to an executing broker and which gives rise to contractual or agency obligations to the client. Implicit in the instruction received, will be the understanding that the client is relying on SOVA to protect its interests in relation to the pricing or other aspects of the transaction that may be affected by how SOVA or the entity to which the order is transmitted executes the order.

3.2. SOVA will generally give price a higher relative importance when obtaining the best possible result for orders executed on behalf of the Client. However, SOVA may also take into consideration a range of different factors, including the need for timely execution, the availability of price improvement, the liquidity of the market (which may make it difficult to execute an order), potential price impact on the market, the size of the order, the nature of the financial transaction (including whether or not such transactions are executable on a regulated market, over-the-counter, or both) and the quality and cost effectiveness of any related clearing and settlement facilities. SOVA will determine the importance of the execution factors by using its commercial judgement and experience in light of the market information available to it, in support of the best possible outcome for its clients.

3.3. Extended hours trading is offered by SOVA and whilst the scope of Best Execution remains unchanged for orders placed during these periods, it should be noted that there are a number of factors that may affect the outcome of execution of such orders (when compared with normal trading hours). These may include: lower liquidity; higher volatility; prices deviating from normal trading hours; wider spreads and reduced availability of SOVA personnel. However, this does not affect or change SOVA's obligation to provide the best possible execution result for orders placed during extended hours trading, where Best Execution applies.

4. Best Execution and Execution Venues

4.1. The Order Execution Policy includes, for each Financial Instrument in which SOVA executes orders on behalf of its clients, those venues that SOVA consider enables it to obtain on a consistent basis Best Execution. The possible execution venues include for each product: regulated markets, multilateral trading facilities, third party systematic internalisers, market makers and other liquidity providers (including SOVA and its affiliates acting as principal). These are listed in Appendix 1.

4.2. SOVA is a member of the London Stock Exchange. For exchange traded products we will generally execute client orders directly on the relevant exchange or, where we are not a direct member of the relevant exchange, with a third party participant which is a member. We may also enter into trades with the Client directly as Principal. Due to the nature of some of the markets on which SOVA clients effect transactions, the execution venues chosen by SOVA for executing orders are often product driven and there may only be limited venues for the execution of the products.

4.3. SOVA may transmit client orders to executing brokers (which may be located outside of the EEA and/or could be affiliates of SOVA) for execution. In which case SOVA will either determine the ultimate execution venue and instruct the other broker accordingly, or SOVA will satisfy itself that the executing broker has arrangements in place to enable it to comply with its Best Execution obligations to its clients.

4.4. The selection of executing brokers is subject to SOVA's pre selection process, which sets out the criteria for selecting and maintaining a third party broker relationship.

4.5. Access to a new market or product is subject to SOVA's internal policies, which is subject to review, approval and oversight by the New Markets & Products Committee. Recently a number of new venues have entered the Fixed Income space, in particular, which we have taken into account when considering our execution venues.

4.6. SOVA will also take steps to structure or charge SOVA's commissions in such a way as to not discriminate unfairly between execution venues.

5. Types of Transactions where Best Execution has Limited Scope

5.1. In some cases the application of the Best Execution obligation may be limited by the nature of the order given by the Client. MiFID II recognises that different considerations apply where the transaction involves a customised OTC financial instrument tailored to the client instructions. Although Best Execution technically applies, there may be little or nothing against which to compare the transaction. This applies if it is (i) an OTC transaction, which is (ii) highly structured/customised to the particular client and, therefore, (iii) is not one of a series of similar deals to which the firm is a counterparty, and (iv) there is nothing comparable in the market.

6. Specific Instructions

6.1. Where a Client gives specific instructions to SOVA, including specifying the characteristics of a bespoke product, either relating to an order or a particular aspect of an order, SOVA will take all sufficient steps to obtain the best result in accordance with those instructions. SOVA will fulfil its best execution obligations in line with this policy in respect of other parts or aspects of the Client's order which are not covered by the specific instruction.

6.2. Where a client chooses to execute an order via SOVA Direct Electronic Access (DEA) system, the client will select parameters of the trade (such as the price, the counterparty, the venue, the timing, the size and nature of interaction with the selected execution venue). In such a case SOVA, while acting on your behalf in providing the DEA service, will be treated as having satisfied its Best Execution obligation and the client will be treated as having given specific instructions for the entirety of the order by means of the DEA system.

6.3. Where a client privately negotiates a trade with a third party and asks SOVA to register both sides of the trade on a regulated market, SOVA will not owe any Best Execution obligations to the client. Where a client asks SOVA to find a buyer or seller to a block trade, where the client has determined the financial instrument, size and price, SOVA's role is limited to finding a buyer or seller on terms defined by the client and registering the trade on a regulated market.

7. Monitoring and Review

7.1. SOVA will monitor the effectiveness of its execution arrangements (including the appointment and selection of affiliates and executing brokers) and the Order Execution Policy and assess on a regular basis whether the execution venues it has selected provide for the best possible result for orders it executes on behalf of clients.

7.2. SOVA will review its Order Execution Policy and its order execution arrangements at least annually or whenever the material change occurs. SOVA will also notify clients of any material changes to its order execution arrangements or the Order Execution Policy. The notification may be made via the SOVA Website (www.sovacapital.com).

7.3. At the request of a Client SOVA will provide a written explanation of how SOVA has executed their orders in accordance with this Order Execution Policy. SOVA will deal with such requests on a timely basis.

8. Consent

MiFID II requires that clients consent to a firm's order handling policy and expressly consent before proceeding to execute their orders outside a regulated market, MTF or OTF. When you agree to SOVA's Terms of Business, you will have consented to the terms of the Order Execution Policy (as amended from time to time) and provided your express consent to SOVA executing orders outside a regulated market, MTF or OTF.

Appendix 1 – Policies by Asset Class

A. Equities, Equity like

A.1. The Capital Markets Desk receive and execute orders on local (Russian) and global markets via directly held exchange memberships or with executing brokers who are believed to have expertise and the required understanding of SOVA's trading objectives and its Best Execution obligations.

A.2. SOVA can act in an agency capacity, matched principal capacity (riskless principal) or risk principal. The process by which the decision as to the appropriate venue on which to execute any order will depend on the capacity in which SOVA will act, the number of securities involved, the percentage of average daily volume that the trade represents, the available liquidity in the stock at the time, or any other factor deemed relevant by SOVA's brokers.

A.4. If an executing broker is used, brokers will be selected on their pricing, liquidity capability, clearance and settlement capabilities, quality of service, access to markets, credit worthiness and financial stability in accordance with SOVA's pre-selection process.

A.5. The key execution venues SOVA mainly utilises when executing equities orders, i.e. the venues on which SOVA typically executes clients' orders and which allow SOVA delivering best result to our clients are as follows: MOEX (as Russia's largest public trading market for equity), LSE (choosing between LSE and BATS-Europe SOVA will execute on LSE by default because SOVA considers LSE the primary venue in terms of intraday liquidity, trading volumes, order book depth), NYSE, NASDAQ (where certain instruments are commonly traded on US markets, the preference is given to NYSE and NASDAQ by trading volumes and liquidity). The larger list of execution venues we have access to, is given in Appendix 2.

B. Fixed Income

B.1. Transactions are generally, but not exclusively, executed on MOEX (for Russian bonds – as MOEX is Russia's largest public trading market for Russian bonds) or over-the-counter (bilaterally arranged trades) for Eurobonds with approved counterparties where one of the key execution factors is likelihood of execution (i.e., order size the execution venue would accept). In most instances, competitive quotes are sought from two or more IDBs (inter-dealer brokers), but for larger transactions and/or transactions in less liquid markets, a single counterparty may be approached on the basis of that counterparty's suitability for the transaction, especially in cases where to approach multiple counterparties may be detrimental to clients' interests. Where the size of the trade is deemed too large to trade through an IDB or venue, SOVA would execute on a request for quote basis to determine the most competitive overall pricing for each order to be executed. Execution quality is a key component that is considered as part of the review of IDB and counterparty performance carried out annually by SOVA Front Office. IDBs and counterparties who are unable to continue to deliver the execution quality SOVA requires are removed from the list of execution venues.

B.2. SOVA's Fixed Income Trading desks take into account a range of factors in deciding where and how to execute an order to obtain the best possible result for the client. Consistent liquidity and price are normally the most important factors in this decision.

C. Foreign Exchange

C.1. If FX executions refer to FX spot transactions (transactions with immediate delivery without rolling over the open position), best execution will not apply. As a non-MiFID instrument FX spot transactions are out of scope for best execution obligation.

D. Repo / Stock Lending & Borrowing

D.2. SOVA may execute transactions under repurchase contracts, reverse repurchase contracts and borrowing and lending securities contracts with Professional clients. Generally price will be one of the most important execution factors but due the bespoke and very structured nature of the instrument, many bespoke factors to each trade will affect the price, including: characteristics of collateral, exposure to counterparty, margin and haircuts applied.

E. Exchange Traded Derivatives

E1. SOVA acts as a Principal (back-to-back or riskless principal trading) when buying and selling listed derivatives for its clients. The dominant execution factors are likely to be price and speed of execution, when executing electronically.

E.2. The execution venue that SOVA mainly utilises when executing orders in exchange trading derivatives is FORTS (Russia's largest public trading market for derivatives where there is deemed sufficient liquidity for trade execution and the availability of in depth price discovery.

F. OTC Derivatives

F1. SOVA acts in a principal capacity when buying and selling OTC derivatives contracts for its clients, SOVA being the counterparty to each contract.

F2. For OTC derivatives the predominant execution factor is likely to be price. SOVA will treat clients fairly where they wish to close their positions before the expiration date, applying equivalent pricing benchmarks to when positions are opened.

G. Structured Products

G1. Structured desk executes trades with structured products (debt securities linked to the performance of the underlying such as for example notes or warrants linked to such underlying as equities, commodities, indexes, CDS, loans, etc.).

G2. In most instances, competitive quotes are sought from two or more Issuers (Tier-1 global banks). SOVA will act in a principal (back-to-back) capacity in relation to structured products when buying and selling structured products for its clients, based on the client accepting a quote provided by the Issuer.

G3. Issuers are selected on their pricing, credit rating of Issuer and/or instrument, liquidity capability, speed of execution and choice of underlying.

Appendix 2 – Execution Venues

The table below lists the execution venues and executing brokers that we currently use and comprises those execution venues and executing brokers which we mainly utilise. We reserve the right to use other execution venues and third parties where we consider that it is appropriate in the light of our Order Execution Policy, and we may from time to time add or remove an execution venue or an executing broker from this list.

Asset Class	Execution Venue
Equities	MOEX LSE NYSE / NASDAQ / AMEX / OTC BB XETRA Euronext Paris TSX (Canada) SGX (Singapore) SEKH (Hong Kong) WSE (Warsaw) Euronext Amsterdam BATS Europe SOVA GFI Securities Limited Tullet Prebon Securities
Fixed Income	MOEX MarketAxess GFI Securities Limited Continental Capital Markets SA Tradition London Clearing Ltd SOVA
Foreign Exchange	MOEX FX EBS FastMatch FXALL (Thomson Reuters)
Repo	SOVA
Exchange Traded Derivatives	FORTS SPIMEX
OTC Derivatives	SOVA
Structured products	Various Issuers, in the form of Tier-1 global banks, e.g.: Citigroup Global Markets Limited Commerzbank AG JP Morgan Chase bank N.A. Leonteq Securities AG
Asset Class	Executing Broker
Equities and Fixed Income	AK Jensen GFI Securities Limited Tullett Prebon Securities Virtu Financial Ireland Limited Jefferies International Limited Instinet LLC Limited Liability Company REGION Investment
Derivatives	Limited Liability Company REGION Investment

SOVA as an execution venue refers to the use of entities within SOVA (being SOVA and its affiliates acting in principal capacity) where SOVA or its affiliate will execute client orders using own internal sources of liquidity, including its internal order crossing capabilities and dealing on its own account.

SOVA has disclosed certain venues and executing brokers in their policy. SOVA may however in exceptional circumstances use venues and executing brokers not listed in its policy, for example on a provisional basis or to accommodate a client request to trade in an unusual instrument, with a view to satisfying the overarching best execution requirement.