Íslandsbanki

Rules of Íslandsbanki hf.

on the Handling of Trading Orders

Introduction

Rules of Íslandsbanki hf., ID No. 491008-0160, (hereinafter the "Bank"), on the handling of trading orders are set in accordance with Article 19 of Act No. 108/2007 on Securities Transactions and Articles 47-49 of Regulation No. 995/2007 on Investor Protection and the Business Conduct of Financial Undertakings.

According to Paragraph 1 of Article 19 of the Act on Securities Transactions financial undertakings shall implement arrangements providing for fair and expeditious execution of clients trading orders.

These rules shall not be interpreted as providing for obligations beyond what is required by the relevant law and regulations at each point in time. The definitions of the main terms used in these rules can be found in the Act on Securities Transactions.

1. Scope

These rules apply to the handling of instructions from clients regarding the trading in financial instruments, as defined in item 2 of the first paragraph of Article 2 of the Act on Securities Transactions, hereinafter "Trading Orders".

The objective of these rules is to support the fair and expeditious execution of Trading Orders, relative to other client Trading Orders or the trading interests of the Bank.

2. General Principles on the Handling of Trading Orders

The Bank shall ensure the following in its handling of Trading Orders:

a) That Trading Orders executed on behalf of clients are promptly and accurately recorded and allocated
b) That otherwise comparable Trading Orders are carried out sequentially and promptly unless impracticable
    I. Due to the characteristics of the Trading Orders
    II. Due to prevailing market conditions or
    III. Because the client's interests require otherwise
c) That a retail client is informed promptly about any material difficulty relevant to the proper carrying out of Trading Orders.

If the Bank is responsible for overseeing or arranging the settlement of Trading Orders, it shall take all reasonable steps to ensure that any financial instrument or funds of the client received in settlement of that Trading Order, are promptly and correctly delivered to the account of the appropriate client.

The Bank shall treat information regarding pending Trading Orders with the utmost caution and take all reasonable steps to prevent the misuse of such information.

3. Order of Execution

In general, otherwise comparable Trading Orders are carried out in accordance with the time of their reseption by the Bank. The Bank may however deviate from prompt execution when the interests of the client require otherwise, e.g. in the case of large and/or extensive transactions.

The sequential execution of Trading Orders may be impracticable if Trading Orders are subject to different conditions e.g. Conditional or Limit orders. The same goes for large or extensive orders or Trading Orders reaching the Bank through different mediums, such as, for example, through a branch, broker or via internet.

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4. Aggregation of Trading Orders

Under certain market conditions, the Bank may carry out Trading Orders of one client in aggregate with Trading Orders of other clients Trading Orders or in aggregate with the Bank's Trading Orders for its own account. Trading Orders shall only be aggregated if it is considered unlikely that such aggregation will work to the overall disadvantage of the respective clients.

Under special circumstances the aggregation of Trading Orders may work to the disadvantage of clients, e.g. when the size of Trading Orders affects the market price of the relevant financial instrument. The Bank shall explain to each client, having their Trading Orders aggregated, that aggregation may prove to work to the disadvantage of the relevant Trading Orders.

5. Allocation of client's aggregated Trading Orders

The general principle applied to the allocation of aggregated Trading Orders is that they are carried out in a manner that ensures that clients receive an allotment proportionate to their orders on the basis of the average price reached at execution. The same shall apply to cases where aggregate Trading Orders can only be executed in part. The Bank shall take all reasonable steps to obtain the best possible result for their clients, taking into account relevant factors, in accordance with Íslandsbanki's Execution Policy.

6. Allocation of the Bank's and client's aggregated Trading Orders

If the Bank has aggregated trading orders for its own account as well as one or more of the clients Trading Orders, the orders shall generally be allocated in a manner that does not disadvantage the interests of the relevant client(s).

In cases where the Bank aggregates Trading Orders to trading orders on its own account and the orders aggregated are only executed in part the client shall have priority in the allocation. If, however, the Bank can reasonably demonstrate that in the absence of such aggregation of trading orders it would not have been able to execute the orders on such favourable terms, or at all, the Bank may allocate the trades in proportion to trading orders of all relevant parties on the basis of the average price reached at execution.

7. Reviews

These rules shall be reviewed annually.

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