

# **BEST EXECUTION POLICY**

**RMG Holding Ltd**

Version 2014

## BEST EXECUTION

Dealing on own account with clients by a firm should be considered as the execution of client orders, and therefore subject to the requirements under MiFID, in particular, those obligations in relation to best execution.

“Client” is hereby understood: a person to whom the Company provides or intends to provide or has provided a service in the course of carrying investment or ancillary services. The orders placed by Clients that keep the shares in the Company’s safe custody are only executed Over-The-Counter with the Company as the sole execution venue. The orders placed by Clients that do not keep their shares in the Company’s safe custody are executed either OTC or at the relevant exchange.

The Company established the following present execution policies for the following cases:

- Dealing on own account
- Placing orders with other entities for execution when providing the service of reception and transmission of instructions
- Placing orders with other entities for execution when providing the service of portfolio management
- Portfolio Management

Appropriate information about the Company’s present best execution policy should be provided to clients in the form of attachments to agreements signed between clients and the Company. Clients are requested to sign their consent with the present policy prior to opening the account. In case of clients who have entered into the Agreements with the Company before the adoption by the latter of the present Best Execution Policy, the Policy shall be distributed to the clients by means of electronic documentation and the clients will be requested to sign their consent with the Policy.

While making trades the Company shall undertake all reasonable steps to obtain the best possible result for a client. Therefore the employees of the company shall make sure that the execution method chosen for every trade is the most favourable to the client.

Any specific instructions from a client may prevent the firm from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

The Company will review its execution policy and its execution arrangements yearly. More frequent review may be done if there is a material change (for example, if a significant new execution venue emerges).

AML officer of the company shall perform regular monitoring of effectiveness of the Best Execution Policy. The Company shall immediately correct deficiencies identified by monitoring, if any.

The company will take all reasonable steps to obtain the 'best possible result' for its clients. The best possible result is determined with regard to the following execution factors explained hereby (listed by importance, starting from the most important):

- **Price**  
This is an important factor to consider whenever it is possible to execute orders at more than one price. Price is always likely to be relevant, however the best price in a given market at a given moment may not represent the best possible result for many reasons. Price is particularly important for retail clients. In the context of selecting execution venues for an execution policy, price refers to whether an execution venue generally offers prices that are as good as, or better than, its competitors. Price is also a relevant factor in selecting intermediaries to execute client orders.
- **Costs**  
It is understood that the best price may not offer the best result for a client if it comes with high costs. Costs can be both explicit and implicit. Explicit costs could include transaction costs (for example, settlement costs) and the costs of accessing particular execution venues (for example, costs of the necessary software / hardware to link to an execution venue). Implicit costs result from how a trade is executed (for example, immediately or patiently, in a block, aggregated with other trades, or in segments at different execution venues). In the context of selecting execution venues for an execution policy, costs refer to whether an execution venue imposes, or its use results in, charges that are higher or lower than its competitors'.
- **Size**  
The best price in a market usually represents an opportunity to trade in a particular size (that is, number of relevant securities, contracts, units or the like), which may not match the size that the client wishes to trade. Where the client wishes to execute a larger size, if part of the order is executed at the indicated size, the price for subsequent executions may become less favorable. On the other hand, if the client wishes to execute a smaller size, the same price may not be available. In the context of selecting execution venues in an execution policy, size can refer to the order sizes that an execution venue typically accepts.
- **Speed**  
Due to the nature of the securities market prices change over time. If the cost of an adverse market movement is likely to be great, speed of execution may be very important. For large orders and orders for less liquid instruments, under certain market conditions other considerations may outweigh speed. In the context of selecting execution venues in an execution policy, speed can refer to how quickly an execution venue tends to complete an order. When choosing another intermediary we need to consider whether that intermediary can achieve speedy execution when required.
- **Likelihood of execution**  
The best price may be illusory if the execution venue in question is unlikely to complete the order. In the context of selecting execution venues for an execution policy, the depth of trading opportunities at an execution venue - and thus, the likelihood that the execution venue will be able to complete the client order - may be relevant.
- **Likelihood of settlement**  
Best price also can be illusory if the execution venue offering that price cannot settle according to the customer's instructions.
- **Nature of the order**  
The particular characteristics of an order, such as buy, sell, limit order, are always relevant to how it is executed. So any order constraint may be an important aspect of

arrangements to obtain the best possible result. In the context of selecting execution venues for an execution policy, we need to consider whether and how well an execution venue performs.

## **SERVICES PROVIDERS**

Securities are kept in the custody accounts with the following depositories:

- Depository Clearing Company, Russia
- National Settlement Depository, Russia
- Citibank Depository, Russia
- Rye, Man & Gor Securities Depository, Russia
- Avesta Trust Depository, Uzbekistan
- Dragon Capital Depository (DRGN Ltd)
- Global Capital Securities and Financial Services Ltd, Cyprus

Funds are kept in the accounts with the following organizations:

- Barclays Bank, London, GB
- RCB Bank, Cyprus
- Citibank, London, GB
- Bank of Cyprus, Cyprus
- Rye, Man and Gor Securities, Moscow, Russia (in broker accounts specially opened or to be opened by Rye, Man and Gor Securities in bank/nonblank credit organizations for separate keeping of clients funds)
- RKP OAO "UzRTSB", Tashkent, Uzbekistan
- Global Capital Securities and Financial Services Ltd, Cyprus

## **BEST EXECUTION CRITERIA**

When executing a client order, the Company will take into account the following criteria for determining the relative importance of the execution factors:

- (1) the characteristics of the client including the categorisation of the client as retail or professional;
- (2) the characteristics of the client order;
- (3) the characteristics of financial instruments that are the subject of that order;
- (4) the characteristics of the execution venues to which that order can be directed

## EXECUTION VENUES

The Company uses the following execution venues to execute trades:

### Moscow Exchange Group

Reached through the Russian Broker “Rye, Man & Gor Securities”.

Securities Market of the Moscow Exchange Group is the largest equities and bonds market in the CIS space, Eastern and Central Europe. Closed joint-stock company "MICEX Stock Exchange" (hereinafter "MICEX Stock Exchange") acting as the organizer of trading on the securities market of Moscow Exchange is among the top 30 leading stock exchanges worldwide.

The securities market of Moscow Exchange falls into three market sectors:

1. **Main Market** is the most liquid regulated market where trades are executed with the Central Counterparty with advance depositing of assets. In the Main Market sector stocks, bonds, depositary receipts and fund shares are traded in various trading modes including the Main trading mode (anonymous indirect trades), Negotiated trades mode, repo trades modes, modes for placement and redemption of securities and a number of special modes. Trades executed in the Main trading mode are settled on the trade day (T+0).
2. **Standard** is a regulated market for stocks and fund shares where trades are made with the Central Counterparty and settled on T+4. In addition to the main trading session there is an evening trading session from 7.00 pm to 11.50 pm held in the Standard sector.
3. **Classica** is a classic market where direct trades in stocks, bonds and fund shares are executed without full advance depositing of assets with an option to settle in US dollars.

	Main Market	Standard sector	Classica sector
<b>Organizer of trading</b>	MICEX Stock Exchange		
<b>Depositing assets</b> • rubles  • securities   • currency	National Settlement Depository (NSD)	RTS Clearing Center  DCC	DVP in Depository Clearing Company (DCC)
	NSD (Eurobonds)		
<b>Clearing</b>	National Clearing Centre (NCC) – Central Counterparty	RTS Clearing Center – Central Counterparty	DCC (DVP)
<b>Settlement</b> • rubles  • securities   • currency	NSD	RTS Settlement Chamber  DCC	any bank in case of free delivery (advance payment, or advance delivery); for DVP settlement – J.P. Morgan Chase Bank, Citibank (NY), or RTS Settlement Chamber
	NSD (Eurobonds)		
<b>Systems for reporting OTC trades</b>	OTC trades collection system (OTCS), Electronic Document Circulation System (SEDC) of MICEX, Electronic Documents Circulation (EDC) System of RTS, or Plaza trading system (at the trading participant's choice)		

## FORTS derivatives trading

FORTS, the futures and options market of the Moscow Exchange, is a leading trading venue for derivatives in Russia and Eastern Europe. FORTS combines the advanced infrastructure, reliability and guarantees of OJSC "Moscow Exchange MICEX-RTS" as well as state-of-the-art technologies for futures and options trading with more than ten years of the stable and successful market development.

Open Joint Stock Company "Moscow Exchange MICEX-RTS" (Moscow Exchange) acts as an organizer of trading on FORTS. Clearing is performed by Joint-stock company "RTS Clearing Center" specializing in clearing services on the derivatives market.

The essential part of any transaction in derivatives is the settlement of a contract on a certain day in the future under fixed conditions. Together with developing FORTS Moscow Exchange pays special attention to keeping its guarantee systems up-to-date. While improving its own system of guarantees, the exchange constantly raises the demands to its clearing members. The FORTS market participants are reliable large cap investment companies and banks.

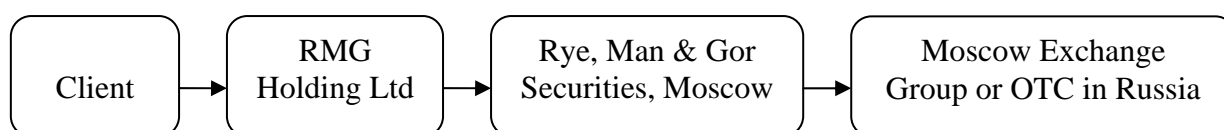
Another task facing OJSC "Moscow Exchange MICEX-RTS" is the development and implementation of a wide range of financial instruments that allow market participants to hedge against market risk on the stock market, FX market, debt and commodity markets.

Currently, the derivatives with the following underlying assets are traded on FORTS: the RTS Index, MICEX Index, Russian Volatility Index, sector indices, shares and bonds of Russian issuers, the Russian Federation government bonds, foreign currencies, average overnight MosIBOR rate, three-month MosPrime rate and commodities including Urals and Brent oil, gasoil, gold, silver, and sugar.

Traditionally, derivative transactions are considered to be more profitable than those on the spot market not only because of the financial leverage but also because of the lack of transaction costs related to trading on the spot market (margining expenses, depositary and settlement fees). Furthermore, the commission fees for transactions with derivatives are significantly lower than those on the spot market.

One of the distinctive features of FORTS is that it provides an opportunity to all participants, including clearing members, professional trading members or their clients to trade using either their own terminals via Internet trading systems or workstations provided by Moscow Exchange. Market participants can efficiently transfer funds between the market of Gazprom shares, Moscow Exchange securities market and FORTS derivatives market using the "consolidated cash position" technology.

See below the chain of execution:



## LSE – London Stock Exchange

London Stock Exchange Group Plc is the leading diversified exchange group in Europe. The group is Europe's leading equities business, with 48% of the FTS Eurofirst 100 by market capitalisation and with the most liquid order book by value and volume traded. The Exchange has built on more than 300 years of integrity, expertise and market knowledge to become one of the world's foremost equity exchanges. The Exchange also has strategic alliances with exchanges from around the world, such as the Tokyo, Tel Aviv and BOVESPA enhancing its international presence and bringing benefits to customers and investors alike. The Exchange is the most international of all the world's stock exchanges, with 3287\* companies from over 60\* countries admitted to trading on its markets. The Exchange enables companies from global giants to smaller enterprises around the world to raise the capital they need to grow, with a choice of four primary markets:

- Main Market – regarded by investors and companies as the world's most prestigious listing and trading environment.
- AIM – equities market for smaller growing companies
- Professional Securities Market - for listed debt and depository receipt securities
- Specialist Fund Market - which is dedicated to specialized investment entities

See below the chain of execution:



The Company may use other execution venues in case it becomes necessary due to one of the above mentioned best execution policy factors.

Some client orders may be executed outside regulated markets, i.e. OTC (with or without a broker) in case it is coherent with present best execution policy.

For the trades with equities of Russian enterprises the Company addresses Moscow Exchange Group or OTC markets, LSE is addressed for the equities of European or other enterprises or trades with ADRs or GDRs.

## Xetra ("Exchange Electronic Trading")

Xetra ("Exchange Electronic Trading") is a worldwide electronic securities trading system based in Frankfurt, Germany. It was created for the Frankfurt Stock Exchange and launched in November, 1997. It is operated by Deutsche Börse.

Xetra® is the trading system for the cash market of Deutsche Börse and, at the same time, synonymous with the automation and internationalization of securities trading. Xetra is the world's most efficient and flexible system infrastructure for fully electronic securities trading.

**Target Group**

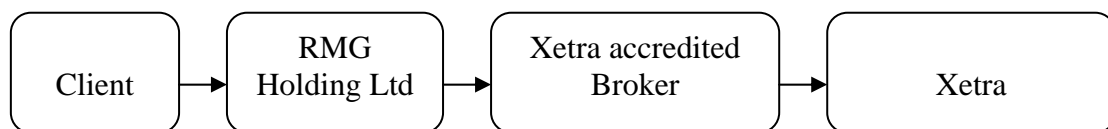
Exchanges, exchange-like organizations, MTFs, market participants, that intend to build up off-exchange trading systems

**Applications**

Automatic exchange & off-exchange trading platform for equities, bonds, warrants, certificates, commodities

The trading system matches buy and sell orders from licensed traders in a central, fully electronic order book. During continuous trading, Xetra examines each buy and sell order and executes it as soon as a suitable offer has been made. In continuous auctions Xetra determines for all open orders the price that leads to the largest turnover. This also ensures efficient trading for less liquid securities.

See below the chain of execution:



The Company may use other execution venues in case it becomes necessary due to one of the above mentioned best execution policy factors.

Some client orders may be executed outside regulated markets, i.e. OTC (with or without a broker) in case it is coherent with present best execution policy.

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**ORDERS AGGREGATION AND ALLOCATION**

The Company does not undertake to carry out any Client's order in aggregation with another client order, unless it has satisfied the following conditions:

1. It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and
2. It has been disclosed orally or in writing to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;

The Orders can be aggregates only when they have the same major parameters with regard to the financial instruments they refer to.



Orders can be aggregated only in cases where the reasonable assurance exist that the aggregation will work to the benefit of all clients whose orders are aggregated, such as

1. Better commissions rates are available and aggregation of orders will lead to the best possible overall result for each client
2. Particulars orders can be executed only when aggregated, due to the market conditions (such as only bulk orders are accepted)
3. There is no reason to believe that aggregation may work to the disadvantage of a particular client

Where the Company aggregates a client order with one or more other orders and the aggregated order is partially executed, it will further allocate the related trades proportionally ( weighed average to the total number of shares in monetary terms), in a way that the executed orders are allocated evenly and proportionally between the clients whose orders have been aggregated.

Expenses, related to the execution of aggregated orders, shall also be distributed proportionally as weighed average to the total amount of order of each client ( in monetary terms)

If Company has aggregated transactions for own account with one or more client orders, it shall never allocate the related trades in a way that is detrimental to a client.

Where the Company aggregates a client order with a transaction for own account and the aggregated order is partially executed, the Company shall allocate the related trades to the client in priority to the own book trades.

However, if the Company is able to demonstrate on reasonable grounds that without the combination it would not have been able to carry out the order on such advantageous terms, or at all, it may allocate the transaction for own account proportionally, in accordance with this order allocation policy.