Íslandsbanki hf. rules

on best execution of orders

Introduction

These rules are set in accordance with Paragraph 6 of Article 48 and Paragraph 1 of Article 49 of Act No. 115/2021 on markets for financial instruments.

When executing trading orders the Bank shall, in accordance with Paragraph 1 of Article 48 of Act on markets for financial instruments, take all sufficient steps to obtain the best possible result for its clients, taking into account the relevant factors. Nevertheless, whenever there is a specific instruction from the client, the trading order shall be executed following the specific instruction.

According to Paragraph 1 of Article 49 of Act on market for financial instruments, financial undertakings shall implement arrangements providing for fair and expeditious execution of clients trading orders.

These rules shall not be interpreted as providing for any 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 Act on markets for financial instruments.

1. Scope

These rules apply to the trading of retail and professional investors. These rules do not apply to the trading orders of eligible counterparties. These rules apply to trading orders issued by clients themselves, as well as by way of power of attorney on their behalf, irrespective of the classification of clients' representatives.

These rules only apply to trading in financial instruments, cf. item 16 of Paragraph 1 of Article 4 of Act on markets for financial instruments, and applies when Íslandsbanki hf. (hereinafter "the Bank") provides the following services:

i. Execution of trading orders on behalf of the client.
ii. Receipt and transmission of trading orders to third parties on the client´s behalf.
iii. Provision of asset management services and the transmission of trading orders regarding financial instruments to third parties.

These rules do not apply when the Bank is not executing or transmitting trading orders on behalf of clients, e.g., when the Bank publishes or gives an offer for the sale or purchase of financial instruments and the client transacts with the Bank based on that offer.

2. Best execution practices

Best execution includes that the Bank shall each time take all sufficient steps to obtain, when executing orders, the best possible results for their clients, relative to other client trading orders or the trading interest of the Bank and other relevant factor, cf. Article 3.1.

The Bank shall, at the request of the client, demonstrate execution of the client's trading order in accordance with these rules. An assessment of whether the Bank has fulfilled its obligations with regard to best execution shall i.e., take into account the circumstances at the time the trading order is received, the type of financial instrument the trading order relates to and what demands can reasonably be made towards the Bank in the execution of the trading order. The assessment shall be comprehensive as to all trading in the relevant financial instrument over a period of time and not focus on individual trades.

3. Execution of orders

3.1. Factors and criteria regarding the execution of trading orders

In the execution of trading orders the Bank shall take all sufficient steps to obtain the best possible result for their clients, taking into account the following factors: price, costs, speed, likelihood of execution, settlement, size, nature and any other relevant consideration.

Where an investment firm executes an order on behalf of a retail client, the best possible result shall be determined in terms of the total payment, representing the price of the financial instrument and the costs relating to execution, including fees.

A comprehensive assessment of the aforementioned factors shall determine which execution venue is chosen for the execution of the trading order. Price and cost are generally among the most important factors that are focused on regarding individual trades. Moreover, other factors may have an impact, e.g., due to the volume or type of financial instrument and the impact of these factors on either the market price of the financial instrument or the execution venue in which the trade can be executed.

The Bank assesses the relative importance of the aforementioned factors based on the following criteria:

i. Client characteristics, including classification as retail investor or professional investor.
ii. The nature of client instructions, including limit orders.
iii. The characteristics of the financial instruments the trading orders pertain to.
iv. The characteristics of execution venues which the Bank can direct trading orders to.

When executing orders or taking decision to deal outside a trading venue (i.e., "over-the-counter" or "OTC") the investment firm shall check the fairness of the price proposed to the client, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

The Bank can decline to execute an order if there is a possibility of market abuse or insider trading.

3.2. Execution venue
In the execution of trading orders of clients, the Bank can make use of the following types of execution venues: a regulated securities market, a multilateral trading facility (MTF), an organised trading facility (OTF), a systematic internaliser, brokers, the Bank own account, other entities bringing together buyers and sellers of financial instruments and entities outside the European Economic Area performing similar functions to the aforementioned entities.

Article 6 contains a list of the execution venues the Bank mainly depends on in order to fulfil its obligation of taking all sufficient steps to consistently achieve the best possible results in the execution of trading orders. The Bank will in each case endeavour to choose the type of aforementioned execution venue which is most likely to yield the best outcome for its clients, taking into account the factors mentioned in article 3.1.

In cases where there is more than one execution venue competing for the execution of a client's trading order, in order to ensure the best execution, the Bank shall take into account the Bank's fees and costs for executing the orders in each execution venue specified in Article 6 to assess and compare the likely results that it would be possible to achieve for the client. The Bank shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue which would infringe the requirements in Íslandsbanki hf. Rules on measures against conflicts of interest.

The Bank is obliged to obtain the approval of clients beforehand if a trading order is executed outside a trading venue. By approving these rules, the client confirms that he/she has been informed of the above and that the Bank is authorised to do so in exceptional circumstances and necessary for a transaction to succeed.

3.3. Limit orders
If a client of the Bank issues an limit order regarding the execution of trades, the Bank will follow those instructions to the extent possible and execute orders accordingly. Attention is drawn to the fact that any limit order from a client may hinder the Bank from achieving best execution of trading orders, cf. these rules. These rules however applies to the aspects of trading orders not covered by a client's limit order.

3.4. Receipt and transmission of trading orders
Unless otherwise instructed by the client and if it benefits the client, the Bank is authorised to approach third parties for the execution of trading orders. In such cases care shall be taken to ensure that the transmission of instructions serves the interests of the client and that the factors and criteria provided in Article 3.1 are taken into account.

4. The handling of trading orders

4.1. 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 about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

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.

4.2. Order of execution
In general, otherwise comparable trading orders are carried out in accordance with the time of their reception 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., Limit orders. The same goes for large or extensive orders or trading orders reaching the Bank through different mediums, for example, through a branch, broker or via internet.

4.3. 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.

4.4. 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 sufficient steps to obtain the best possible result for their clients, taking into account relevant factors, in accordance with Article 3 in these rules.

4.5. 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.

5. Supervision and reviews

These rules shall be reviewed annually, as well as every time a material change occurs impacting the ability of the bank to achieve the best possible results from the execution of trading orders. The Bank monitors the effectiveness of these rules regularly in order to identify any shortcomings and make improvements when appropriate.

The Bank assesses regularly whether there has been a material change in execution venues, envisaged by these rules for the execution of trading orders, and whether if this change result in the most favourable outcome for the client. The Bank moreover regularly assesses its choice of third parties for the execution or transmission of trading orders.

Any change to this policy will result in its updated version being published on the site: www.islandsbanki.is/investorprotection and shall be valid from the date on which it is published.

6. Registry of execution venues and third parties

Overview of the execution venues and third parties which the Bank particularly relies on for the execution of trading orders:

Execution venue	Type	Shares	Bonds/Treasury bills
Nasdaq Iceland	RSM	x	x
Nasdaq Stockholm	RSM	x	
Nasdaq Copenhagen	RSM	x	
First North Iceland	MTF	x	
Linear Investments Limited, London	B	x	
Deutsche Bank, London	MTF		x
UBS, London	MTF		x
Commerzbank, London	MTF		x
Goldman Sachs	MTF		x
BAML	MTF		x
Danske Bank, Kaupmannahöfn	B/MTF	x (B)	x (MTF)
Jyske Bank	B	x	x
PGM global	B	x	

RSM = Regulated Securities Market
MTF = Multilateral Trading Facility
B = Broker/Brokerage
O = Other entities that bring together buyers and sellers of financial instruments.

The Bank is authorised, in exceptional cases, when it is for the benefit of the client and leads to the best possible result, to use another execution venue than one of those specified in the above list.

The Bank will make public on an annual basis on his webpage, www.islandsbanki.is, a summary of the top five execution venues in terms of trading volumes where he executed client orders in the preceding year and information on the quality of execution obtained.