



# **ORDER EXECUTION POLICY**

Market in Financial Instruments Directive (MiFID)

**March 2009**



# Order Execution Policy of Lombard Odier Darier Hentsch Group

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## 1. Introduction

This document sets the order execution policy ("Policy"), established in accordance with the Markets in Financial Instruments Directive ("**MiFID**"), of Lombard Odier Darier Hentsch Group ("Lombard Odier"), which includes in particular the following subsidiaries:

- Lombard Odier Darier Hentsch & Cie (Nederland) N.V., the Netherlands
- Lombard Odier Darier Hentsch & Cie (España) S.V., S.A., Spain
- Lombard Odier Darier Hentsch & Cie (Belgium) S.A., Belgium
- Lombard Odier Darier Hentsch Private Bank Ltd, Gibraltar
- Lombard Odier Darier Hentsch (UK) Limited, United Kingdom
- Lombard Odier Darier Hentsch & Cie (France), France
- Lombard Odier Darier Hentsch Gestion, France

We will take all reasonable steps using the resources available to us to ensure that we have processes in place that can reasonably be expected to lead to the delivery of Best Execution (chapter 3) and Best Selection (chapter 4).

Please refer to the attached Glossary for a precise definition of the terms used in this document.

## 2. Scope of this Document

This Policy shall equally apply to **Private** and **Professional clients**, unless otherwise specified. **Eligible counterparties** are not included in the scope of this Policy.

This Policy only applies to the financial instruments as set out in the Annex. Some financial instruments are not covered by MiFID and are therefore not covered by the Policy. These include:

- Spot FX transactions or FX **forward transactions**;
- Spot commodity transactions.

## 3. Best Execution

### 3.1 Best Execution Arrangements

When receiving and executing client orders on your behalf in relation to financial instruments as set out in the Annex, we will take all reasonable steps to achieve best execution. This means that we have in place a policy and procedures designed to obtain the best possible execution result, subject to and taking into account the best balance among the following range of factors:

- **Price**;
- **Costs**;
- **Speed**;
- **Likelihood of execution**;
- **Likelihood of settlement**;
- **Size** of the order;
- Nature of and any other consideration that may be relevant to the execution of a particular order.

If we receive a specific instruction from you, the order will be executed following your instruction according to chapter 5.

In the absence of express instructions from you, we will balance the above-mentioned factors based on our professional experience and judgment in light of the available market information and market conditions at the appropriate time, and taking into account the following criteria:

- The type of client concerned;
- The order characteristics;
- The **financial instruments** that the order relates to;
- The **execution venues** to which the order can be directed.

Total consideration of price and cost will ordinarily merit a high relative importance in obtaining the best possible result. However, for some clients, orders, financial instruments, markets or market conditions, we may determine that other execution factors shall have the same importance or shall take precedence over price in obtaining the best possible execution result.

We will act with due skill, care and diligence when executing a client order and will endeavor to take reasonable care to ascertain the best price available for a transaction in the relevant market at that time, taking into consideration the nature and size of the order. Examples of the reasonable care we will take when assessing the timing of the execution of all or part of a current client order includes:

- When a foreseeable improvement in the level of **liquidity** in the relevant financial instruments is likely to enhance the terms on which we may execute the order;
- When executing an order as a series of partial executions over a period of time is likely to improve the terms on which the order as a whole is executed.

Prevailing market conditions may not permit your order to be executed either immediately or in a single transaction. Large trades, particularly those involving financial instruments where trading volumes are limited, can move prices in the market against the interests of the client. In these circumstances, a series of partial executions over a period of time is likely to provide a better overall result than executing one trade.

### 3.2 Factors affecting the Choice of Venue

In selecting the most appropriate venues for the purpose of executing your orders, we consider several factors, in particular:

- General prices available;
- The creditworthiness of the counterparties on the venue or the central counterparty;
- Depth of liquidity;
- Relative volatility in the market;
- Transparency in the market;
- Speed of execution;
- Costs of execution; and / or
- Quality and cost of **clearing and settlement** facilities.

In the Annex, Lombard Odier identifies execution venues for different types of financial instruments which it believes with reasonable assurance can consistently offer best execution to its clients. The list included in the Annex is not exhaustive and Lombard Odier may use alternative venues if it is necessary to ensure best execution for you. Lombard Odier may for example execute an order outside a **regulated market** or a **MTF** from time to time, provided the venues it uses are consistent with our Policy.

### 3.3 General factors affecting our Policy

In providing best execution we are subject to the provisions set out in this Policy to exercise the same standards and operate the same processes across all the different liquidity pools and financial instruments on which your orders are executed. However, the diversity of the markets and instruments and the type of orders that you may place with us mean that we will have to take different factors into account when we assess the nature of our Policy in the context of different instruments and different liquidity pools located in different countries.

The following non-exhaustive list provides examples of varying factors that may influence the best execution of your orders:

- **Liquidity pool infrastructure**: electronic trading on a centralized market with a large number of participants is generally more efficient than trading on an **"over-the-counter" (OTC)** market where transactions are negotiated bilaterally;
- **Price setting mechanism**: on an **"order-driven market"** the price of a financial instrument is determined by the incoming buy and sell orders, while on a **"quote-driven market"**, the price is determined by one or several market makers.
- **"Price volatility"**: a price may fluctuate considerably on a particular market within a limited time period. In such markets, the speed or timing of order execution may take priority;

- "Liquidity": some financial instruments do not trade as frequently as others, and / or volumes are limited. In markets subject to such low liquidity, best execution may be limited to the execution of the order itself. Markets with high liquidity can absorb both high frequency and large orders within a short time period;
- Country of the **liquidity pool**: markets in emerging countries do not afford the same infrastructure as markets in non-emerging countries. As a consequence, Lombard Odier may need to reconsider the factors described above for specific client orders in order to adapt to the specificities of trading on emerging markets.
- Market information: the availability of accurate information and appropriate technology may also affect the choices as to the most favorable liquidity pool for execution.

Other factors may limit the choice of execution venue:

- In some instances the execution venue may be limited to one platform or market upon which an order may be executed because of the nature of your order or a specific instruction from you;
- The nationality of the beneficial owner may exclude the execution of the order.

Under no circumstances can we be held liable for external causes that have partially or totally impeded us from providing you with best execution.

## 4. Best Selection

We transmit or place your orders for execution with entities selected via a **broker review process**. While selecting entities, we will endeavor to take all reasonable care to ensure that the entities can consistently provide best execution, taking into consideration the best execution factors set out in this Policy, as well as:

- The financial instruments concerned;
- The type and structure of the market and the country where these **brokers** operate;
- The available information on the market and the country where these brokers operate;
- The policy adopted by the broker to demonstrate that the trades are executed in accordance with the best execution obligation and that best execution procedures are monitored.

For brokers not subject to MiFID, we will take all reasonable steps to select the brokers that provide for the best service in the relevant financial instruments, markets and geographical areas concerned.

Under specific circumstances (such as a specific instruction from you, particular market conditions, provisory failure of a broker, etc.), we may be forced to transmit your order to an entity that has not been selected by our broker reviews in order to act in your best interests.

## 5. Specific Client Instructions

When you give us a specific instruction as order execution or transmission, the relevant part of the order will be executed in accordance with that instruction. You should be aware that in providing a specific instruction, you may prevent us from taking the steps which we have designed and implemented to obtain the best possible result for the execution or transmission of the order in respect of the factors covered by those instructions.

Any written or oral contractual arrangement between you and us will take precedence over this Policy.

## 6. Reviewing Execution Quality and the Order Execution Policy

Lombard Odier will regularly review its Policy, at least annually or whenever a material change occurs. Lombard Odier will monitor the effectiveness of its Policy, by reviewing its best execution arrangements, its brokers and its execution venues at different levels, depending, in particular, on the type of financial instruments, the type of execution venue and the factors affecting our Policy.

You will be notified of any material changes to our Policy via our website [www.lombardodier.com](http://www.lombardodier.com).

# Annex to Order Policy of Lombard Odier Darier Hentsch Group

CLASS OF FINANCIAL INSTRUMENTS	VENUES / LIQUIDITY POOL *
<b>Equities</b>	
Equities Examples: equities, global/American depository receipt, ETF, etc.	SIX Swiss Exchange, Virt-x, NYSE Euronext, Xetra, OTC market, DMA
<b>Bonds</b>	
Bonds Examples: government bonds, emerging bonds, high yield, credit bonds, asset-backed securities etc.	SIX Swiss Exchange, OTC market
Convertibles	SIX Swiss Exchange, OTC market
<b>Derivatives</b>	
Derivatives on equities, indices, bonds, commodities Examples: equity futures, equity options, warrants, bonds futures options, commodities futures, etc.	Eurex (as a non clearing member) OTC market DMA: e.g. OCC-Trading (Options Clearing Corporation - US options), IDEM (Italian Derivative Market), EOE (European Options Exchange - Dutch options)
Derivatives (money market) Example: short-term FX structured deposit, dual currency deposit (DCD), etc.	OTC market
Derivatives (treasury) Examples: currency futures, etc.	DMA
Derivatives (fixed income) Examples: credit default swap, interest rate swap, inflation linked swaps, etc.	OTC market
<b>Money Market</b>	
Money Market I Examples: certificates of deposit, Euro commercial paper (ECP), etc.	OTC market
Money Market II Examples: treasury bills, UK treasury, etc.	Eurex for Swiss papers OTC market
<b>Other financial instruments</b>	
Structured products Examples: growth products (e.g. certificate, etc.), mixed products (e.g. capital guaranteed, etc.), income products (e.g. reverse convertibles, auto-call, etc.) Examples of underlying: equity, credit, forex, interest rate, commodity	OTC market. Generally only one market maker, low liquidity. SIX Swiss Exchange
Financial contracts for difference	OTC market
Units in collective investment undertakings	No venues/OTC market

\* Several venues / liquidity pool may be used for the execution of one order

# Glossary to the Order Policy of Lombard Odier Darier Hentsch Group

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<b>Broker</b>	An individual or firm who acts as an intermediary between a buyer and a seller, usually charging a commission.
<b>Broker review process</b>	Process in place to evaluate the quality of the brokers according to different criteria which may be based on a formal process and / or our daily professional experience.
<b>Clearing &amp; settlement</b>	A system used to settle mutual indebtedness between a number of organizations (banks, brokers, etc).
<b>Client</b>	Any natural or legal person to whom an investment firm provides investment and / or ancillary services.
<b>Costs</b>	Transaction fees charged to the client (commissions, settlement fees, etc).
<b>"DMA" Direct Market Access</b>	Lombard Odier directly trades in a liquidity pool through broker facilities that grant a direct market access to that liquidity pool.
<b>Eligible counterparty</b>	A client according to Directive 2004 / 39 and Directive 2006 / 73.
<b>Execution venue</b>	Regulated market, Multilateral Trading Facility (MTF), systematic internaliser, market maker, and other liquidity providers.
<b>Forward transactions</b>	Purchase or sale of a specific quantity of a financial instrument at the current forward price, with delivery and settlement at a specified future date.
<b>Financial instrument</b>	Those instruments specified in Section C of Annex I of Directive 2004 / 39.
<b>Likelihood of execution</b>	The quality of an order execution on a certain execution venue.
<b>Likelihood of settlement</b>	The quality of order settlement.
<b>Liquidity</b>	Number and turnover of trades in a specific financial instrument over a certain period (day, week, etc.).
<b>Liquidity pool</b>	Any place where trades can be executed, including execution venues.
<b>Membership</b>	Stock exchange of which Lombard Odier is a member.
<b>MiFID</b>	The Markets in Financial Instruments Directive, an EU directive replacing the current Investment Services Directive (ISD) and further increasing competitiveness and transparency in the financial markets (Directive 2004 / 39 / EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, OJ L145 / 1, 4.30.2004 and Commission Directive 2006 / 73 / EC of August 10, 2006 implementing Directive 2004 / 39 / EC, OJ L241 / 26, 9.2.2006).
<b>"MTF" Multilateral Trading Facility</b>	A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system in accordance with non-discretionary rules, in a way that results in a contract pursuant to the provisions of Title II.
<b>Order-driven market</b>	Market in which the price of a financial instrument is determined by the incoming buy and sell orders.
<b>"OTC" Over-the-counter</b>	A bilateral arrangement between buyer and seller, based on the best quote received. In some circumstances, where liquidity in the instruments deteriorates, quotes may become unavailable. When this occurs, the importance the client places on executing the order becomes paramount and "best execution" can equate to the order actually being executed.
<b>Price</b>	Price of a financial instrument (excluding fees).
<b>Private client</b>	A client who is not a professional client, classified under MiFID as a "Retail client".
<b>Professional client</b>	A client meeting the criteria laid down in Annex II of the Directive 2004 / 39.
<b>Quote driven market</b>	Market in which the price is determined by one or several market makers.
<b>Regulated market</b>	A multilateral system operated and / or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system in accordance with its nondiscretionary rules, in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and / or systems, and which is authorized and functions regularly.
<b>Size</b>	Number of financial instruments per order.
<b>Speed</b>	Rapidity of order execution.

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