INTRODUCTION

1. As required by the Markets in Financial Instruments Directive (‘MiFID’), this document sets out Jefferies International Limited’s and Jefferies Bache Limited’s (“together Jefferies”) Order Execution Policy (the “Policy”) and arrangements for complying with the obligation to take all reasonable steps to obtain the best possible result for their clients orders (so called ‘best execution’).

SCOPE

2. Jefferies is required to put in place an Order Execution Policy, and to take all reasonable steps to obtain the best possible result for clients when executing client orders in “financial instruments” as defined in Annex 1 Section C of MiFID. Where Jefferies execute orders on a client’s behalf in instruments that are not “financial instruments”, Jefferies will not owe best execution. The best execution obligation applies to professional clients and retail clients only.

3. The Policy applies only to clients who submit orders, in “financial instruments”, to Jefferies: (i) for execution on the client’s behalf; or (ii) for transmission to a third party for execution. When Jefferies provides quotes or negotiates a price with a client on request (i.e. dealing on a Request for Quote basis), irrespective of whether Jefferies or the client initiated the transaction, Jefferies will not be deemed to be receiving a client order that is subject to best execution as set out in this Policy.

4. For the avoidance of doubt, an order is an instruction to buy or sell a financial instrument which is accepted by Jefferies for execution or onward transmission to a third party 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 Jefferies to protect its interests in relation to the pricing or other aspects of the transaction that may be affected by how Jefferies or the entity to which the order is transmitted executes the order.

5. All Jefferies employees who either execute orders on behalf of professional and retail clients or pass orders for execution to other entities for execution must ensure that any such activities are conducted in accordance with this Policy.

ACHIEVING BEST RESULTS FOR CLIENTS

6. When executing or receiving and transmitting orders in relation to financial instruments on behalf of a client, Jefferies will take all reasonable steps to achieve best execution. This means that Jefferies will have in place a policy and procedures which are designed to obtain on a consistent basis the best possible result for execution of client orders, subject to and taking into account the nature of the client orders, the priorities placed on Jefferies in filling those client orders and the nature of relevant markets.

7. In taking all reasonable steps, Jefferies will endeavour to achieve the best balance across a range of sometimes conflicting factors. This does not mean achieving the best price for every client order, but the best possible result that can reasonably be expected given the resources available to Jefferies.

ORDER EXECUTION

8. Jefferies shall adhere to best execution requirements when executing client orders or when routing them to other market centres, and will take steps to achieve the best result in accordance with this Policy. When determining the strategy for execution of a client’s order, Jefferies will take into consideration certain factors as appropriate, in the context of the terms of the client’s order. Factors Jefferies may consider include but will not be limited to price, the need for timely execution, market liquidity, the size of the order, likelihood of execution and settlement, costs of the transaction, nature of the transaction including whether it is executed on a regulated market, multilateral trading facility (“MTF”) or over the counter, and any other consideration relevant to the efficient execution of the order.

9. In the absence of specific instructions from the client, Jefferies will exercise its own judgment, skill and experience, having regard to available market information when determining the factors that it needs to take into account for the purpose of providing the client with best execution.

10. The diverse markets for different financial instruments and the types of orders that clients place with Jefferies, means that different factors could be applicable in each case when Jefferies considers its execution strategy for each order received. For example, there is no formalized market for some over the counter transactions, in some markets price volatility may mean that timeliness of execution is a priority, whereas in an illiquid market the fact of execution may in itself constitute best execution.
11. In extreme volume and volatility situations, exchange system constraints may require automated trading systems to be switched off and/or electronic routing to be suspended in favour of manual execution. Such events lead to further execution delays and increased market volatility. Clients should be aware of the following risks associated with volatile markets, especially at or near the close of the standard trading session:

- An order may be executed at a substantially different price from the quoted bid or offer, or the last reported trade price at the time of order entry, or an order may only be partially executed or may be executed in several shapes at different prices; and
- Opening prices may differ significantly from the previous day’s close.

12. When executing a client’s order, as well as the factors relevant to that client’s order, Jefferies will take into account the following ‘Execution Criteria’:

- Characteristics of the client;
- Characteristics of the client’s order;
- Characteristics of the relevant security; and
- Characteristics of the execution venues to which the order can be directed.

13. Further to the client’s prior express consent to do so, the client’s orders (including margined transactions) may be executed on the client’s behalf outside a regulated market or MTF. Where Jefferies is the execution venue (i.e. where Jefferies fills the client on risk), it will review the quality of its own execution in the same way as it would for any other execution venue.

14. In general, Jefferies regards price as being one of the most important considerations when seeking to obtain the best possible result for clients. In addition, subject to any specific instructions which are given to Jefferies by a client, the Financial Instrument to which the order relates dictates to a large extent the determination and ranking of the relative importance of the Execution Factors. However, in certain circumstances, Jefferies may decide in its absolute discretion that other factors noted above, may be more important than price when determining the best possible result in accordance with this Policy.

15. For retail clients, the best possible result will be determined in terms of the total consideration, represented by the price of the financial instrument and the costs incurred by the client related to execution.

SPECIFIC INSTRUCTIONS

16. Whenever a client gives a specific instruction to Jefferies as to the execution of its order, Jefferies, subject to the FCA Rules, will execute that order in accordance with the client’s specific instructions. In following those specific instructions, Jefferies will be deemed to have satisfied its best execution obligations in respect of that part of the order to which the specific instructions relate. Specific instructions from a client may prevent Jefferies from taking the necessary steps it has designed and implemented in this policy, to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions. If a client requires its order to be executed in a particular manner, it must clearly state its desired method of execution when it places its order with Jefferies. To the extent that the client’s specific instructions are not comprehensive, Jefferies will determine any nonspecified aspects in accordance with this Policy.

17. Where a client uses a direct market access (“DMA”) system provided by Jefferies (the client selects parameters, including price, counterparty/venue, timing, size etc), then such client will be regarded as providing specific instructions to Jefferies in relation to the execution of their order. In such situations, Jefferies, while acting on the client’s behalf in providing the DMA service, will be deemed to have satisfied its best execution obligations and the client will be deemed to have given a specific instruction for the whole order by means of Jefferies DMA system. Such a situation may occur where, for example, a client has been given access to a terminal linking that client to the exchange (such as NYSE Liffe) which enables the client to enter orders directly on to the particular exchange through Jefferies. In situations where the client selects to use Jefferies smart order routing engine, those orders will be executed in line with this Policy.

JEFFERIES AS PORTFOLIO MANAGER

18. Where Jefferies acts as a portfolio manager it is required to act in accordance with the best interests of its clients when placing orders with other entities for execution that result from decisions by Jefferies to deal in Financial Instruments on behalf of a client. Jefferies’s Investment Management Department (“IMD”) offers clients portfolio management services. However, whilst the IMD will exercise its discretion as to the price and quantity of the trade it is possible that the client may give specific instructions to the IMD as to where it would like such orders executed.

19. In most instances (save where the IMD receives specific instructions from the client to place their order elsewhere for execution), orders placed by the IMD of Jefferies will be routed to the execution desks of Jefferies. As the IMD is part of the same legal entity comprising the brokerage side of Jefferies’s business, the IMD is subject to this Policy.
EXECUTION VENUES

20. Subject to any specific instructions from a client, Jefferies may use one or more of the following venues to enable it to obtain the best possible result on a consistent basis when executing an order on the client’s behalf:

- Regulated markets;
- MTFs;
- Internal sources of liquidity (matching client orders);
- Jefferies and its affiliated companies’ trading desks (proprietary positions, or where acting as a liquidity provider or market maker); and
- Third party investment firms and brokers (or non EU entities performing similar functions) which may also trade proprietary positions, act as market makers and as liquidity providers.

A list of execution venues (the “List”) used by Jefferies is set out in Appendix I to this Policy. This Policy, including the List, can be found on the Jefferies corporate website www.jefferies.com

21. Subject to any specific instructions, for exchange traded products we will generally execute a client’s 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.

22. Due to the nature of some of the markets on which Jefferies’s clients effect transactions, the execution venues chosen by Jefferies for executing orders are often product driven and there may only be limited venues for the execution of the products. For example, a client wishing to effect an on-exchange transaction in Liffe Cocoa has no alternative than to transact on NYSE Liffe as no alternative trading venue or platform currently exists for that product.

23. In addition to these factors, Jefferies may also only select one execution venue where it is considered that the costs of including additional venues would outweigh any price improvement to be gained as such costs are generally passed on to the client. Where necessary and relevant, Jefferies will consider the advantages of indirect access (that is, transmitting client orders to another execution intermediary rather than executing those orders itself).

Off Exchange Trading

24. We may deal with a client on an over-the-counter (“OTC”) basis from time to time. Where we do so we will deal with the client as principal. In cases where we owe “best execution” we will execute the client’s order in accordance with our Order Execution Policy.

25. In relation to instruments admitted to trading on a regulated market or MTF, we may, in accordance with our Order Execution Policy, (subject to the client’s prior express consent) deal with or for the client in circumstances in which the relevant transaction is executed outside a regulated market or MTF.

26. Where we execute an order in relation to an OTC Transaction, in addition to the Execution Factors, we may also take into account other factors relevant to the transaction when determining whether we have provided best execution. These factors include the credit worthiness of the client counterparty, the overall price charged to the client for carrying the risk and the cost of capital to the firm, any on-going costs related to the contract whether operational (e.g. resets on swaps transactions or the provision of valuations) or otherwise and, if relevant, any additional costs for structuring the transaction and tailoring customer documentation.

RECEIVING AND TRANSMITTING ORDERS

27. When Jefferies receives a client’s order and transmits that order to another entity for execution, it will take all reasonable steps to achieve the best result, in accordance with this Policy, taking account of the factors noted above and any specific instructions received from the client in relation to that order.

28. When determining the strategy for obtaining the best result for a client’s order, in the absence of any specific instructions, Jefferies will consider if it is reasonable to simply transmit the order to another entity or whether it is necessary to exercise additional control when instructing the other entity in relation to that client’s order.

29. Where an affiliate of Jefferies is the entity to which it transmits a client’s order for execution, Jefferies will review the quality of the execution in the same way as it would for any other execution venue.

ENTITIES TO WHICH CLIENT ORDERS MAY BE TRANSMITTED

30. Jefferies may transmit orders to one of the following entities for execution in order to obtain the best possible result on a consistent basis: affiliates of Jefferies in the UK, US and Asia; and/or third party investment firms or brokers.

31. As well as having regard to an entity’s access to markets and execution venues, when choosing entities for inclusion in this Policy, Jefferies assesses each entity’s ability to obtain the best result on a consistent basis, having regard to the above execution factors.

32. Further to the client’s prior express consent, the entity to which its order is transmitted may execute that order outside a regulated market or MTF or similar non EU market venue.
LIMIT ORDER PUBLICATION (IF UNEXECUTED)

33. If a client gives Jefferies a limit order in relation to shares admitted to trading on an EEA regulated market, Jefferies will be required to make public such limit orders to the extent they are not immediately executed under prevailing market conditions unless the client consents to Jefferies exercising its discretion as to whether to make such limit orders public.

MONITORING AND REVIEW

34. Jefferies will monitor the effectiveness of its order execution arrangements and this Policy and regularly assess whether or not the execution venues it accesses continue to provide for the best possible results for orders it executes on behalf of clients.

35. Jefferies will review, at least annually or when a material change occurs, both its order execution arrangements and this Policy. Material changes to this policy will be notified through the Jefferies corporate website and be available to actual as well as potential clients.