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Information on Best Execution Policy

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Introduction

In accordance with the Markets in Financial Instruments Directive (MiFID), KBC Clearing has established and implemented arrangements, including an order execution policy, designed to deliver best execution.

The present document provides the clients with information on the order execution policy of KBC Clearing.

The order execution policy will apply as from 1 November 2007 to clients that have been classified as **professional clients** of KBC Clearing and to financial instruments in scope of MiFID.

When executing an order on behalf of its professional clients in respect of financial instruments covered by MiFID, KBC Clearing, subject to any specific instruction, takes all reasonable steps to obtain the best possible execution result in accordance with its order execution policy, taking into account the factors identified below.

Client order

KBC Clearing considers itself to be in receipt of a Client Order when a Client gives KBC Clearing a trading instruction that requires KBC Clearing to act on the Client's behalf i.e. where an agency obligation exists or where KBC Clearing works a trading instruction on a Client's behalf either on a principal or riskless principal basis.

Where KBC Clearing provides either continual quotes, or quotes upon request, which a Client accepts by executing a transaction, KBC Clearing will not, in general, be executing a Client Order. In these circumstances, KBC Clearing will not be acting on the Client's behalf and Best Execution will not apply.

Information on Best Execution Policy

1. *Approach to best execution*

1.1. Elements of best execution

Various factors (such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order) may affect the order execution.

In order to determine the relative importance of the different factors, KBC Clearing takes into account the following criteria:

- the characteristics of the client, i.e. the categorisation of the client as a professional client;
- the characteristics and nature of the order, including whether any specific instructions are given;
- the characteristics of the financial instruments that are subject of that order;
- the characteristics of the execution venues to which that order can be directed.

Although in most instances price and costs will merit a high relative importance in obtaining the best possible result, there can be circumstances where other factors such as market impact, speed, likelihood of execution and settlement, size and nature of the order or any other consideration relevant to the execution of the order may be more important in determining the best possible execution result.

KBC Clearing may, at its own discretion, prioritise such other factors in certain circumstances, for certain client orders, financial instruments or markets for example where there is insufficient immediately available liquidity on the relevant execution venue to execute the order in full, where the client gives an order above standard market size or in illiquid instruments. In such case KBC Clearing may appropriately determine that obtaining the best immediately available price may not be the best possible result for its client.

1.2. Execution venues

The order execution policy includes, in respect of each class of instruments, information on the different venues where KBC Clearing executes its client orders and the factors affecting the choice of execution venue. The policy includes at least those venues that KBC Clearing enable to obtain on a consistent basis the best possible result for the execution of client orders.

In meeting its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders, KBC Clearing may use one or more of the following venue types when executing an order on behalf of its client:

- regulated markets;
- multilateral trading facilities(MTF);
- systematic internalisers;
- KBC Clearing's associated companies (including KBC Securities, KBC Bank their branches and affiliates dealing as principal);
- third party investment firms, brokers and/or affiliates acting as market maker or other liquidity providers;
- transfer agents;
- non EU entities performing similar functions;

Although it is its policy to apply the same standards with respect to best execution across the different markets and financial instruments, the diversity of those markets and instruments will however oblige KBC Clearing to take into account different factors when assessing its execution policy in the context of those different markets and financial instruments. For example the fact of execution may itself constitute best execution in markets with low liquidity. For certain financial instruments the choice of venue may be limited to only one platform/market.

KBC Clearing will assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client, or whether changes to the execution arrangements need to be made.

1.3. Order Execution

Subject to any specific instruction that KBC Clearing may receive from a client, KBC Clearing will execute the order in accordance with its execution policy by using one (or a combination) of the following methods:

(1) The order can be executed directly on the regulated market or MTF or, where KBC Clearing is not a direct member of the relevant market or MTF, KBC Clearing can transmit the order to a third party market participant, with whom KBC Securities will have arrangements in place for handling orders for that regulated market or MTF.

(2) The order can be transmitted to another broker or dealer or another entity of KBC Group for execution, in which case KBC Clearing will either determine the ultimate execution venue and instruct the other broker or dealer accordingly or satisfy itself that the broker or dealer has arrangements in place that enable KBC Clearing to comply with its own execution policy.

(3) The order execution policy provides for the possibility that a client order may be executed outside a regulated market or an MTF, for example by KBC Clearing acting as execution venue itself, where KBC Clearing believes to obtain the best possible result for execution of that order. However in order to be able to execute the order outside a regulated market or an MTF, KBC Clearing has to obtain the prior express consent of the client.

Where the client has provided its consent, the entity to which the order is transmitted by KBC Clearing, may execute it outside a regulated market or MTF or similar non EU market or venue.

(4) The order can, in case of units in collective investment undertakings, be transmitted to a transfer agent.

KBC Clearing may in some circumstances use execution venues that are not included in the list of venues, for example to execute an order in a for KBC Clearing unusual instrument.

These principles or a part of these principles may not be applied in case a specific instruction is received from the client.

1.4. Specific instruction

To the extent that the client gives a specific instruction in relation to an order or any aspect of an order, including the selection of a particular execution venue, in executing the order in accordance with these specific instructions, KBC Clearing will be deemed to have taken all reasonable steps to provide the best possible result in respect of that order or aspect of that order.

Where the client gives specific instructions for example via an electronic order routing system, KBC Clearing will execute that order in accordance with those specific instructions.

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

2. *Best Execution per class of financial instruments*

For each class of financial instruments, KBC Clearing has defined the key execution factors that will be taken into account when executing orders and information and the execution venues that best suit its requirements. In this chapter a summary is presented.

Preliminary remarks

- The principles described in this policy do not forbid KBC Clearing to act otherwise in case it considers that in acting so the order might not be executed in a way that the best possible result for the client is obtained.
- Provided prior express consent of the client has been obtained, KBC Clearing or a broker selected by KBC Clearing have the possibility to internalise orders by acting as a counterpart to the client rather than executing the order on a regulated market or on a MTF.
- In case of emergency, such as a disruption of the execution system, KBC Clearing may not be in the possibility to execute the order according to the described method. In these exceptional circumstances, KBC Clearing will endeavour to execute the orders in the most advantageous way under the prevailing circumstances.

2.1. Shares / Shares Certificates / Warrants / Rights

KBC Clearing considers that the most liquid market provides in general the best result in terms of price and cost and will therefore, in general, place the orders on the most liquid market of the financial instrument. The most liquid market will be reviewed on a periodic basis.

2.2. Bonds / Money Market Instruments

KBC Clearing will, in general, transmit orders in bonds and money market instruments to the Home Market on the condition that this venue provides reasonably significant liquidity in the instrument.

In case KBC Clearing concludes that no execution venue meets the internally defined criteria of sufficient liquidity, the order will be executed outside a regulated market or an MTF. The determining factors for the execution, price and costs, will be respected. KBC Clearing may for the pricing rely on internal models that are subject to internal verification.

2.3. Units in Collective Investment Undertakings

KBC Clearing will, in general, transmit orders in Units in Collective Investment Undertakings to the transfer agent of that financial instrument, directly or through an electronic platform. This method of execution ensures a price that is reflecting the economic value of the asset and is in general the most advantageous in terms of costs.

In case the transmission to a transfer agent would not be feasible or practical, KBC Clearing will select an alternative method for the execution of the order, respecting in as much as possible the principle of best result in terms of price and cost.

2.4. Listed derivatives

Taking into account the actual situation in Europe¹, KBC Clearing will only accept specific instructions of the client relating to the execution of an order.

¹ Exchange traded derivatives are not « fungible » at this moment in Europe and are governed by different rules and regulations. As a consequence hereof, a derivative that is traded on two different exchanges or on two different segments of one exchange, even if they refer to the same underlying, has not the same characteristics.

2.5. Dealer Market Products

Dealer Market Products include various options, futures, swaps, forward rate agreements and combinations thereof relating to currencies, interest rates or yields and securities, financial indices and commodities. These instruments are not listed on execution venues. Spot transactions or deposits or loans are not included in the scope of MiFID.

KBC Clearing recognizes that for dealer market products potential clients or clients are likely to contact different investment firms for a quote and have procedures in place to ensure that products are priced in a competitive and fair manner. For this pricing KBC Clearing may rely on internal models that are subject to internal verification requirements.

However, KBC Clearing will not be executing orders on behalf of the client, and therefore this policy will not apply, when KBC Clearing is dealing on behalf of a 'Request for Quote' service, or where KBC Clearing publishes a quote and transacts on the basis of that quote, or where KBC Clearing negotiates with the client the terms of the transaction and both parties transact at an agreed price, unless the client expressly requests otherwise and both parties agree to such a request in writing (including e-mail).

4. *Monitoring and updating*

KBC Clearing will monitor the effectiveness of its order execution arrangements and its execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, KBC Clearing shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client, or whether changes to the execution arrangements need to be made. KBC Clearing shall notify its clients of any material changes to its order execution arrangements or execution policy.

5. *Client's express general consent*

As KBC Clearing might not transmit the orders but from time to time internalise orders or execute orders outside a regulated market or a Multilateral Trading Facility, the client's express consent will be requested.

Client's prior express consent will also be asked for the fact that, in some cases, limit orders in listed shares are not made public.