

Order Execution Policy Effective 1st Nov 2007

1. Introduction

This policy does not form part of our terms and conditions but is supplied in accordance with MiFID guidelines and the rules concerning its implementation in the UK. LCG is required to inform its clients (you) as to the policies for execution of client Trades and Orders.

Whilst this document is written in informal rather than legal terminology there may be some expressions that are unfamiliar to our clients, a glossary of terms is added at the end of the document in appendix 1 which may help to explain certain phrases.

If there is anything you do not understand please contact our customer service desk.

2. London Capital Group

London Capital Group (LCG) provides a spread betting product to its clients covering a wide variety of financial markets and instruments. Every market quoted by LCG is derived directly from an underlying financial instrument sourced from an exchange or from a wholesale quoting counterparty (i.e. FX quoting banks). LCG decides which markets to quote, the times at which those markets are quoted and LCG publishes via its trading platforms those quotes on which clients may be able to trade.

LCG is the counterparty (or 'principal') to every trade. This means that you must open and close each and every trade with LCG and cannot close an open bet made with LCG with a third party (i.e. a different spread betting company) and vice versa.

LCG is regulated by the Financial Services Authority (the FSA) and, as a regulated entity, LCG is required to take all reasonable steps to ensure the best possible result when executing client instructions.

3. Trades and Orders

There are three types of instructions that our clients may give to execute or initiate a transaction with LCG.

3.1 Trade - This is where you give an immediate instruction to buy or sell on a currently quoted price.

3.2 Order (Standing Order) - This is where you give an instruction to execute a trade at a price that is not currently available in the market but may be available at a future date/time. There are three types of order Stop Loss, New and Limit which are all described in our Terms and in our User Manual.

3.3 Market Orders - In certain cases when the bet size is greater than the 'underlying market' size or where the 'underlying market' is illiquid (i.e. in certain AIM or small cap stocks) or where LCG may for various reasons attempt to work an order for the client in the market at a certain price then LCG will agree a corresponding single spread bet price for the whole bet after completion of the 'underlying market' trade.

4. Trade Execution Policy

When executing an order for a client we will take into consideration a number of factors that allow us to offer the best possible result. For Retail clients, this will mainly be determined by the price or spread, followed by the size and nature of the order, and the speed and likelihood of execution and settlement.

4.1 Price - If your trade via the trading platform is accepted by the LCG dealers then your trade will be executed at the price requested by you and at no other price. If your trade is made over the telephone then, assuming there is no 'price error', your trade will be executed at this price. For our pricing policy please read see clause 6.

4.2 Transaction Speed - In almost all circumstances, so long as you have sufficient margin available on your account for the bet and so long as the bet size requested is equal to or under the maximum internet size permissible, your bet will be executed at the level requested. In certain circumstances due to speed of internet communications, market volatility or in the case of deliberate manipulation of our quoted prices your bet may be rejected by our dealers if the price at which you have attempted to trade is not representative of the 'underlying market' price when received by the dealers.

4.3 Trade Size - All trade execution is subject to size considerations. If the requested trade size is larger than LCG is able to trade in the 'underlying market' instrument on the relevant exchange at that time then the entire bet may be rejected but LCG may offer greater liquidity than the 'underlying market' at its discretion. LCG will not make a 'partial fill' of any trade except by agreement in the case of a telephone trade. Every market quoted by LCG has an absolute minimum and maximum permitted (its bet size) and this can be found by clicking on the information icon button associated with each market but this maximum bet size may vary due to market conditions and is, at all times, at the discretion of the LCG dealers.

In most cases an order when triggered by market price action will be filled at the same, or very close to the same, price as requested on your order request.

If the market opens at the start of the trading day at a price sharply different to the closing price of the previous trading session any order whose activation price is between the closing LCG quote of the previous days trading close and the opening quote of the next days trading session will be filled at the first price reasonably obtainable by LCG with reference to the 'underlying market'.

If any market gaps from one quoted price to another due to any market sensitive piece of information (such as a profit warning or an economic data release) then any order in place between these prices will be activated. The execution price of any order affected by price sensitive information will be subject to general exchange rules. This means that they will be filled AFTER any Trade requests (see clause 3.1) placed at the same time. For this reason, although there may be tick prints on charts provided by LCG that suggest better potential fill levels, an order activated by a major economic data announcement or by a profit warning may be subject to fill levels significantly different to these momentarily available quote levels and will also be filled with consideration to the size of the order in question.

All orders are subject to the liquidity available in the 'underlying market' and any order that results in LCG activating a similar 'hedging' trade in the 'underlying market' shall be filled at the average price obtainable by LCG in that market. For this reason LCG is no longer able to exert any discretion in activation of orders and may fill these orders on an 'underlying market' execution basis. In illiquid markets this may result in significant slippage.

Aside from those markets defined as being quoted 'out of hours' no order will be filled outside of LCG's specified quoting hours. Please note that some markets continue to trade outside of the quoting hours offered by LCG and in these cases there is significant potential of some gapping from one LCG trading session to the next LCG trading session. All orders in these markets will be subject to this gap in prices.

Orders activated in 'out of hours markets' quoted by LCG are treated as though the underlying instrument were open and trading at that level required to activate the order.

5. Working Orders

In instances where a client makes a trade in unusually large bet sizes, or where the client specifically requests, LCG may at its sole discretion place the orders directly into the 'underlying market' using LCG's own name to execute the trade. Such trades may only be placed and accepted over the telephone through one of our dealers. LCG will only 'work' two types of orders for clients, 'Single Price' orders and 'Market Orders' and such orders will only be 'good for the day'. 'Single Price' orders are where the entire 'underlying market' order is made at an agreed pre-determined price and no other (i.e. to sell if the market reaches a certain point and to just offer at that price). Such an order may be part-filled in which case the corresponding bet size will be applied to the client account and any remaining unfilled part of the order would be cancelled at the close of business of that trading session. 'Market Orders' are orders that are triggered at a certain price and at which point the entire order is placed into the 'underlying market' and filled at the best available price at that time. LCG will place the order on to the electronic order book for the instrument concerned or, in the case of a non-electronically traded financial instrument, will place the order with a nominated broker who has access to the market makers who provide liquidity in the instrument concerned.

In the case of electronic execution of 'Market Orders' LCG will attempt to work the order with reference to the price, the likelihood of execution, the expected speed of execution and the size of the order. LCG will use its experience to attempt to achieve the best possible outcome in relation to the aforementioned reference points for the client. Market Orders may be subject to significant slippage and will only be filled in their entirety if there is the 'underlying market' liquidity available to achieve this (i.e. placing a very large market order in a low liquidity stock at 16.15 on the SETS system runs the risk of substantial slippage and only partial completion). The subsequent bet will be made at a single price reflecting the average price achieved by the 'Market Order'. If at any time LCG receives a price improvement on either of these Order types then this price improvement must be passed onto the client.

Both order types may be cancelled by the client at any time but once an order has been activated it is unlikely that you will be able to cancel the whole transaction and you are obligated to accept any part of a worked order that is filled prior to cancellation.

Specific instructions

If you provide us with specific instructions, as to how to execute your order, then this will remove the obligation from LCG to take all reasonable steps to obtain the best possible execution result by the consequences of following your instructions. LCG will regularly monitor these Execution Policies to ensure that we comply with all regulatory requirements and will continually review the various execution venues we use to create 'our quotes'.

6. Pricing Policy

LCG quotes prices with reference to a variety of factors which include the 'underlying market' price, the spread quoted by LCG, the time to expiry of the bet, any dividends, stock splits, scrip issues or special cash payments of whatever nature which occur before the expiry of the bet, interest rates, competitor pricing and weight of client business.

Except in times of increased volatility or illiquidity of the individual markets concerned LCG will not alter these spreads.

Appendix 1 Glossary of terms

Execution venue - A location where financial instruments can be traded (i.e. the New York Stock Exchange, NYSE) LCG is the sole execution venue for spread bets placed via its internet portals or over the telephone.

Market - An individual product on which you can make a bet (i.e. Gold Rolling Daily)

Order - This is where you give an instruction to execute a trade at a price that is not currently available in the market but may be available at a future date/time

Our Quote - The price quoted by us in each market via our internet trading platform or over the telephone.

Open Position/Bet/Trade - A situation where you have an exposure to a particular market due to the fact that you have an unexpired bet active on your account.

Terms/Terms and Conditions - The contractual agreement that you enter into when opening an account with LCG. The terms comprise the Spread Betting Terms and Conditions and the Product Information Sheets

Trade - The action of making a Bet using a quote given by LCG to either open a position or to close (or part close) an open position.

Wholesale Counterparty - An entity that quotes a price in a market where the counterparty risk is with the quoting party not an exchange. (i.e. if you trade via the LSE the exchange guarantees the trade not the person who was on the other side of your particular buy or sell, with a wholesale counterparty this

Underlying Market - A financial instrument acquired from an execution venue or from a wholesale quoting counterpart which underlies the quote made by LCG. For example the FTSE Rolling Daily price is calculated with reference to the most liquid FTSE futures contract (commonly called the Front Month) plus or minus a Fair Value (FV), which is comprised of 'cost of carry' time value plus any expected dividend component between now and the expiry of the FTSE future. So the 'underlying market' for the FTSE Daily Rolling market is the FTSE future (not the FTSE 100 index itself).