

THE BANK OF MONTREAL, LONDON BRANCH
BMO CAPITAL MARKETS LIMITED

ORDER EXECUTION POLICY

Introduction

Chapter 11.2 of the FSA Handbook requires that we take all reasonable steps to obtain the best possible result when we execute or transmit orders on behalf of clients.

The purpose of this document is to provide clients with information on our order execution policy and to obtain their consent to the policy. Our policy applies only to the execution of orders in relation to financial instruments (as defined in the FSA rules) for Professional Clients. Regulatory best execution is not owed to Eligible Counterparties.

Scope

The key to the application of this policy is whether we are executing orders on behalf of clients. We consider ourselves to be acting on a client's behalf when in receipt of an order that gives rise to a contractual or agency obligation. Typically this occurs where we are relied upon to protect the client's interests in relation to the pricing and other elements of the order and where, as a consequence we exercise our discretion in relation to the execution of the order. We would not consider ourselves to be acting on a client's behalf where such factors are not present, including in the following situations:

- Where in response to a client request or on a continuous basis we merely provide prices at which we are willing to buy or sell; or
- Where we negotiate with a client the terms of a transaction in which we deal with a client as principal for our own account.

In these situations we will not owe a duty of best execution, though other regulatory protections continue to apply.

Delivering on our commitment to obtain the best possible result

Subject to any specific instructions that may be given by a client, when executing or transmitting orders on a client's behalf, we will take all reasonable steps to obtain the best possible result taking into account the execution factors and criteria considered below.

The execution factors that will be taken into account are:

- Price
- Execution costs
- Speed of execution
- Likelihood of execution or settlement
- Size and nature of the order
- Any other consideration relevant to the efficient execution of the order.

We will determine the relative importance of each factor taking into account the following criteria: the characteristics of the client; the characteristics and nature of the order; the characteristics of the financial instruments that are the subject of the order and the execution venues to which that order can be directed.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for clients with the next most important factor after price being the liquidity of the market.

The choice of execution venue will be determined in relation to the prioritisation of the execution factors.

Order Handling: Aggregation and Allocation

We will process client orders to be worked in the market in the sequence in which we receive them unless the nature of the order or prevailing market conditions make this impracticable or the client's interest requires otherwise. We will generally place orders into the appropriate execution venue as soon as we have agreed to work the order in the market, unless potential market impact dictates that we do not. Should we receive multiple orders at, or around, the same time, we may aggregate the orders and allocate the resulting fills as the aggregate order is executed. This may mean that we will provide you with partial fills at different prices or a single fill at an average price. Orders may only be aggregated if it is unlikely that this will work overall to the disadvantage of any client whose order is to be aggregated.

Should our book position dictate that we wish to execute an order from our book in the same direction as a client order, we will execute the client order in full ahead of our own order unless by aggregating the order we can demonstrate that the client will receive the same or better execution outcome. If we aggregate a client order with our own order and the aggregated order is partially executed, the resulting fills must be allocated to the client in priority to us. However, if we are able to demonstrate on reasonable grounds that without the combination we would not have been able to carry out the client's order on such advantageous terms or at all, we may allocate the transaction for our own account proportionally. Where aggregated own account and client orders have been allocated, there must be no reallocation of trades in a way that is detrimental to the client.

Execution Venues

For each financial instrument that we trade on behalf of our clients we consider what the best venue for executing the order is. Where we do not have direct access to a venue or where we otherwise deem it appropriate, we will execute orders through another company within the BMO Financial Group or an external entity, such as a third party broker.

We will access one or more of the following types of venues when executing an order on your behalf:

- Regulated Markets (as defined in the FSA rules);
- Multilateral Trading Facilities ('MTF') (as defined in the FSA rules);
- Third party investment firms and/or affiliates acting as a Market Maker or other liquidity providers; and/or;
- Non-EU entities performing similar functions.

In certain cash equities, there may be only one execution venue and in executing a trade in such circumstances we will presume that it has provided the best possible result in respect of these types of cash equities.

Subject to proper consideration of the execution factors and criteria referred to above, where we believe that we can trade to the advantage (or at no disadvantage) to a client, we may be used as the execution venue. Where we act as the execution venue we will consider all sources of reasonably available information, including MTFs, local exchanges, brokers and data vendors, to obtain the best possible result for the order.

Specific Client Instructions

When a client provides us with a specific instruction in relation to an entire order, or any particular aspect of an order, including a request for execution on a particular venue, we will endeavour to execute the order in accordance with the client's instructions.

Please note that if a client provides us with a specific instruction, this may prevent us from following some or all of the steps in our Order Execution Policy that are designed to obtain the best possible result. Therefore, if a client requires its order to be executed in a particular manner and not in accordance with our Order Execution Policy, it must clearly state its desired method of execution when it places an order.

We deem the receipt of orders via direct market access systems as a specific instruction to the extent that the client selects the parameters of the trade (such as price, counterparty, venue and timing).

Monitoring and Review

We monitor the effectiveness of our execution arrangements in order to identify and where appropriate correct any deficiencies. We assess on an ongoing basis whether the execution venues and entities we access allow us to achieve the best execution on a consistent basis or whether we need to make changes to our execution arrangements.

Consent

We are required to obtain a client's prior consent to our Order Execution Policy. Please note that we will attempt to obtain this formally at the outset of our relationship with a client but a client will be deemed to have provided such consent on the first occasion on which it trades with us after the client has received this information in the terms of business.

In respect of financial instruments which can be traded on a regulated market or MTF, clients should note that, subject to their prior express consent, some of their orders may be executed outside of the regulated market or MTF where we believe that we can achieve the best possible result for execution of a client's order by doing so.

Last Update: November 2008