AUTOMATIC STOCK ORDER ROUTING ON BALTIC MARKETS [1]

Automatic stock order routing on Baltic Markets enables the system to send the transaction instructions (orders) entered by clients and any modifications/cancellations of such instructions directly to the stock exchange, where the orders are also automatically matched. This means that the broker does not have to do any manual work and the orders reach the stock exchange in seconds.

1. The additional option "*Allow automatic order processing*" is displayed in the order preview when a purchase and sales order for Baltic shares is entered. If this option has been picked, the order will be automatically sent to the stock exchange. If the option has not been picked, the order will be sent to an LHV broker – the broker will check the order and enter it in the stock exchange system manually. Automatic routing of orders has been set as the default option.

2. For market orders the current bid/ask price is used for reservation (if buying order is used) and transmission to stock exchange. **LHV does not recommend the use of market price orders on Baltic Markets.**

3. The result of the automatically routed order, e.g. "*Order insert request sent to the market (buy, qty=100, price=15.50, valid 20060524)*" is displayed on the order confirmation sheet. The relevant error message will be displayed if sending the order to stock exchange failed. The reason of the failure may be that the limit price of the order remains outside the reference price limit, but in exceptional cases also that connection to the stock exchange system is lost. If the limit price of the order remains outside the reference price limit or if there is no trading at the stock exchange (the stock exchange is closed), then the order will be left pending in the LHV system. The system attempts to send such orders automatically to the stock exchange at the beginning of every trading day during validity period of the order. If sending the order to the stock exchange failed due to technical problems (such as lost connection), then the LHV system will attempt to automatically resend the order every 3 minutes.

4. The execution procedure of automatically routed orders can be observed in real time under *PENDING ORDERS* in the LHV portfolio subdivision – the *ORDER AUDIT TRAIL* page will open when you click on the order status "*in progress*". This page shows the exact time log of when the order was sent, received at the stock exchange, when a modification request was sent and executed, when a cancellation request was sent and executed, when the order was executed or the transaction was carried out, and any other possible actions associated with the order. If the order is currently active at the stock exchange, then the "*Show order in market order book*" link on the audit trail page shows the exact status of the order in the stock exchange order book – the selected order is highlighted in red and the other orders of the client are in yellow. The link to the audit trail page of the order is also shown in the e-mails about the entry, modification and cancellation of the order.

5. Orders will be canceled by LHV if any corporate action takes place on the underlying stock.

6. Order modification and cancellation requests can be sent under *PENDING ORDERS* in the LHV portfolio subdivision. In the case of automatically routed orders, such requests are automatically sent to the stock exchange and modification/cancellation occurs in seconds without the LHV broker having to do anything. Modification and cancellation requests sent outside the trading day will remain pending and they will be automatically sent to the stock exchange at the beginning of the next trading day.

7. When orders are matched at the stock exchange, the relevant purchase or sales transaction is automatically carried out in the LHV system and if the order was partially matched, then the quantity of the unmatched order will also be reduced, respectively. When the order is matched in full or the last part of the transaction is carried out, the quantity of the initial order is changed to zero and the order is cancelled.

---

[1] Baltic Markets mean the stock exchanges of Tallinn, Riga and Vilnius and automatic order routing is only possible in respect of shares – bond orders are still send manually by brokers.