



## **POSIT RULES**

EFFECTIVE 13<sup>th</sup> OCTOBER 2009

POSIT,<sup>®</sup> an electronic crossing system operated by Investment Technology Group Limited (“ITGL”), is regulated by the Irish Financial Regulator (“IFR”) as a Multilateral Trading Facility (“MTF”) pursuant to the European Communities (Markets in Financial Instruments) Regulations, 2007 (“MiFID”). As an operator of a regulated MTF, ITGL is required to notify the users of the MTF of the rules under which you may enter orders into, and trade in, POSIT (hereafter the “Rules”).

### **Admission to POSIT**

1. Only eligible counterparties and professional clients as defined in MiFID may participate in POSIT. Clients must ensure that they are fit and proper, have a sufficient level of trading ability and competence, have adequate organisational arrangements and have sufficient resources for the role they will perform taking into account the financial arrangements required in order to guarantee adequate settlement of transactions. In particular, Clients that route orders to POSIT shall at all times have sufficient order management systems, procedures and controls designed to prevent the entry of erroneous orders to POSIT. ITGL reserves the right to require clients to demonstrate that these conditions are met. If at any time a Client does not comply with these Rules ITGL may suspend, restrict or terminate the Client’s access to POSIT.
2. All orders submitted by, or on behalf of, a Client and all resulting executions are subject to these Rules. Clients shall be bound by these Rules (including any amendments hereto), by such guidance notes or notices as ITGL may issue and by any direction or decision of ITGL.

### **Trading in POSIT**

3. Clients may trade in POSIT in the following ways:
  - a. POSIT Match<sup>™</sup> matches orders between buyers and sellers of securities within a prescribed time window (the “POSIT Match window”) of such hours as prescribed in the POSIT Parameters (“POSIT Match times”).
  - b. POSIT Now<sup>™</sup> matches orders continuously during such operational hours as prescribed in the POSIT Parameters (“POSIT Now times”). Posit Now orders will automatically participate in POSIT Match matches.

- c. Orders submitted to POSIT Now™'s volume weighted average price match (hereafter "POSIT Now VWAP") are entered into a pre-matching session between such times as prescribed in the POSIT Parameters ("POSIT Now VWAP pre-match times"). Clients are issued with particulars of their successfully pre-matched orders. After the close of trading on the primary exchange trades pre-matched during the pre-matching session will be matched by ITG and attributed a price determined by the VWAP of that security on the primary exchange for the trading day provided that at least one trade was reported by the primary exchange in that security during the trading day.<sup>1</sup> Pre-matched orders in securities that do not trade on the primary exchange during the trading day shall be cancelled. POSIT Now VWAP matches are subject to the post-trade disclosure requirements in Rule 14.
4. POSIT only takes orders for such securities as prescribed in the POSIT Parameters.
5. Execution is not guaranteed in POSIT, and unexecuted orders (with the exception of pre-matched POSIT Now VWAP orders) may be withdrawn from POSIT or left in the system for participation in the next POSIT match. Alternatively, the client can ask ITGL to execute the order outside POSIT on an alternative market on which the relevant stock is traded.
6. POSIT, as a price taking system, crosses at the mid point of the spread in the relevant security, or in the case of POSIT Now VWAP the VWAP of the relevant security, on the primary exchange where that security is normally traded ("the reference price"). Clients may elect to have the commission payable to ITGL on the trade factored into the execution price and ITGL will therefore adjust the execution price accordingly and report to the client a net price.
7. Orders submitted to POSIT are automatically aggregated, executed simultaneously, and allocated using a proprietary algorithm. The algorithm allocates executions pro-rata to the size of each order, but subject to the trading constraints attached to the orders entered in the match and the overall objective of maximizing the value of matched shares. The time an order is entered affords no priority or prejudice at the time of crossing.
8. While ITGL makes every effort to ensure that a match runs as scheduled, it is not obliged to run any match, and may delay match times, alter the length of the POSIT Match window and the non-match period in such circumstances as it, in its sole discretion, determines appropriate including, but not limited to where:
  - a. technical difficulties require ITGL to do any of the above; or

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<sup>1</sup> In relation to exchanges where orders large in scale compared with normal size, as defined in Article 20 of Commission Regulation 1287/2006, are excluded from same day post-trade transparency information published on the primary exchanges, such orders will not fall within the calculated VWAP for those securities as used in the POSIT Now VWAP matches.

- b. a decision is made to do any of the above based on an assessment that significant additional liquidity will result, thus potentially benefiting all match participants.
9. Clients may enter orders directly into POSIT through ITGL's proprietary connectivity software or through other means agreed with ITGL, or via ITGL's subsidiary, Investment Technology Group Europe Limited ("ITGEL"). All orders submitted to POSIT are firm and available for execution and when executed will be binding on the Client. A Client shall not submit orders to POSIT while trading in that security is suspended.
10. ITGL does not disclose any specific details of an order received prior to execution of that order. However, where a client consents to its POSIT business alerting out to other POSIT clients who are users of the POSITAlert applet, thereby exposing the client's POSIT business to liquidity not available in POSIT, the following details of the client's order will be disclosed to the POSITAlert applet user (a) the instrument and (b) the fact that the client order is at least a block in size (the size of a block to be determined by ITGL from time to time). Details such as the size of the client order, the identity of the client and the size of the block will **not** be disclosed to the POSITAlert applet user.

**Details (a) and (b) set out above will not be disclosed without the client's consent which will be recorded in writing and maintained by ITGL. If a client does not provide ITGL with such consent no specific details of the client's orders will be disclosed.**

In the interests of improving liquidity, personnel at ITGL or ITGEL may give general information about the amount and general size of orders as well as disclosing the countries in which they are traded and general sector information. Client identities are **not** disclosed before or after the match, save as required by any applicable law or regulation.

### **Prohibited Practices**

11. A Client shall not in respect of its POSIT business:
  - a. commit any act or engage in any course of conduct which creates or is likely to create a false or misleading impression as to the market in, or the price or value of, any security,
  - b. manipulate the reference price on the primary market in order to achieve a more favourable execution in POSIT,
  - c. commit any act or engage in any course of conduct which damages the fairness or integrity of POSIT,
  - d. commit any act or engage in any course of conduct which causes, or is likely to contribute to, a breach of these Rules by another client, or
  - e. engage in any act prohibited by law, including market abuse.

ITGL monitors for the above activities and any Client that engages in the above activities may be expelled from the system and ITGL will be entitled to cancel its POSIT orders and executions. A Client shall provide ITGL with all

reasonable assistance regarding the investigation of a possible breach of these Rules which assistance shall include providing access to information and individuals reasonably within the control of the Client. ITGL may report breaches of these Rules to the IFR and any other relevant regulatory authority. ITGL will provide full assistance to the IFR in investigating and prosecuting suspected market abuse.

12. ITGL may remove or suspend a security from trading in POSIT. ITGL may, in its sole discretion, suspend, restrict or terminate trading on POSIT or impose conditions on trading in POSIT or suspend, restrict or terminate a Client's access to POSIT.

### **Error Trades**

13. A Client may submit a request to cancel a POSIT order prior to execution, or in the case of POSIT Now VWAP prior to pre-matching, however cancellation may not always be possible prior to execution, or in the case of POSIT Now VWAP prior to pre-matching. If an order is submitted by, or on behalf of, a Client and it is subsequently executed, or pre-matched pursuant to Rule 3(c), save as otherwise provided in these Rules, no cancellation or reversal is permitted. A Client must submit a request to cancel an executed trade or a pre-matched POSIT Now VWAP order as soon as possible and, in any event, prior to settlement. ITGL may, having obtained the consent of the party or parties with whom the Client has matched, or in the case of POSIT Now VWAP pre-matched (hereafter the "Other Party"), agree to the cancellation of the match or the pre-match as the case may be. Neither ITGL nor its affiliates shall have any responsibility or liability for the failure of a Client to cancel an order.

ITGL may, in its sole discretion, and without any liability on its part or the part of its' affiliates, refuse to act upon, execute or otherwise implement any order and may cancel any order (including a pre-matched VWAP order), trade or execution. ITGL shall make commercially reasonable efforts to notify each client affected as soon as reasonably practicable of such refusal or cancellation. Without prejudice to the generality of the foregoing, ITGL may, if in its sole discretion it determines that circumstances warrant, cancel a clearly erroneous transaction regardless of whether or not a Client has requested such cancellation.

### **Post-Trade Disclosure**

14. ITGL makes public details of transactions concluded in POSIT (with the exception of transactions in AIM securities but including transactions in International Order Book securities) as close to real time as possible and in any case within three minutes of the relevant execution. The details required under Article 27, Commission Regulation (EC) No. 1287/2006 will be published. ITGL will always publish the gross price at which the trade was executed. POSIT trade data is monitored in accordance with MiFID by BOAT and is published by trade data vendors. POSIT transactions in AIM securities are reportable to the London Stock Exchange (LSE) and are subject to its rules. ITGL will report these transactions to the LSE on your behalf. ITGL

may in the future choose alternative or additional information monitors/vendors and/or post its data on a website and you will be notified of any such changes.

15. ITGL, as the operator of POSIT, will transaction report all transactions carried out in POSIT to the IFR in accordance with MiFID.

### **Settlement**

16. ITGL is the settlement counterparty vis a vis each client in POSIT transactions. However, ITGL acts as agent in executing POSIT business and does not engage in proprietary trading activities. A Client must ensure it has adequate settlement arrangements in place. A Client shall ensure that every transaction effected by it, or on its behalf, is settled in accordance with the settlement rules and market practice, including settlement due date, of the settlement system for transactions executed on the primary market. Each Client must provide ITG Operations with settlement instructions prior to trading.
17. A Client shall ensure payment of the PTM levy where it is applicable. It is the Client's responsibility to determine the amount payable under the PTM levy.
18. A Client is responsible for all obligations and liabilities arising from the entry, deletion and execution of orders in POSIT by it or on its behalf. Each Client transacts in POSIT as principal. Where a Client is acting as agent for another party and the failure to deliver securities and/or cash is attributable to that other party, the Client shall be bound as principal to the transaction. ITGL or its affiliates shall not be responsible for, and shall not be liable for, the default of any Client on any trade in POSIT.
19. These Rules are in addition to ITG's Terms of Business and such other agreements, including such direct market access and electronic services agreements, as exist between ITG and Client (hereafter together the "Agreements"). These Rules and the Agreements shall be construed as one in respect of Client's POSIT business and, in the event of a conflict between the Agreements and these Rules, these Rules shall take precedence.
20. ITGL may prescribe information or requirements, including technical data in relation to the operation of POSIT, in the POSIT Parameters. ITGL will notify you of any amendment or update to these Rules or to the POSIT Parameters. ITGL may notify you of any amendment or update to these Rules or the POSIT Parameters or issue any notice provided for under these Rules by means of Market Notice published on ITG's website at [www.itg.com/compliance](http://www.itg.com/compliance).