

ITG Inc. (“ITG” or the “Firm”) Annual Regulatory Disclosure – August 2018

Compliance with Applicable Laws

As a condition of ITG’s acceptance of your instructions, you represent that you will, and undertake to, comply with and fulfill all of your obligations under applicable laws and regulations and will not breach such applicable laws or regulations.

You also agree to provide us promptly with all information necessary for us to perform our obligations under applicable laws and regulations.

Anti-Money Laundering

The USA PATRIOT Act (the “Act”) imposes anti-money laundering requirements on brokerage firms and financial institutions. Under the Act’s provisions, all brokerage firms are required to have comprehensive anti-money laundering programs. As part of ITG’s required program, the Firm may request that you provide various identification documents or other information. ITG will not be able to open an account or effect any transactions on your behalf until all required information and/or documentation has been provided. More information on ITG’s “Customer Identification Program” is available on the Firm’s website under <https://www.itg.com/about/compliance/>

FINRA BrokerCheck

Pursuant to FINRA Rule 2267, ITG reminds you that you may access the firm’s FINRA BrokerCheck information at www.FINRA.org or by calling the FINRA BrokerCheck Hotline at (800) 289-9999. An investor brochure regarding the FINRA BrokerCheck Program is available through the FINRA web site. Upon written request, ITG can deliver an investor brochure that includes information describing FINRA’s Public Disclosure Program.

FINRA Rule 2266 SIPC Information

ITG is a member of Securities Investor Protection Corporation (“SIPC”). You may obtain information about SIPC including the SIPC brochure by contacting SIPC at (202) 371-8300 or www.SIPC.org

Payment for Order Flow

ITG may receive remuneration from market centers in connection with the routing of certain customer orders in the form of discounts, rebates, reductions of fees or credits. This does not alter ITG’s policy to route customer orders to the trading center where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed, and efficiency.

Extended Trading Hours

Under CBOE Rule 6.1A(j), Nasdaq Rule 4631 and FINRA Rule 2265, ITG may not accept an order from a customer during extended trading hours without disclosing the potential risks involved in such extended-hours trading. Accordingly, ITG hereby advises you that the potential risks include the following:

- **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity during extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.
- **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility during extended hours trading than regular market hours. As a result, your order may only be partially executed or not at all.
- **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or at the opening the next morning. As a result, you may receive a price during extended hours trading which is inferior to the price obtainable during regular market hours.
- **Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive a price in one extended hours trading system that is inferior to the price that would be obtainable in another extended hours trading system.
- **Risk of News Announcements.** Issuers frequently make news announcements after regular market hours that may affect the price of their securities. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading and, if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- **Risk of Wider Spreads.** The spread refers to the difference in price between what you

can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Electronic Trading

ITG may provide you with access to national securities exchanges, alternative trading systems and/or other market centers for the purpose of executing your equity orders. These market access services are provided through FIX connections and/or ITG products, including but not limited to, smart order routers, algorithms, and ITG’s proprietary execution management systems, including but not limited to Triton[®], and Triton Black[®].

When one of the services is utilized in the handling of your order, the relevant algorithmic trading or smart order router technology, depending on your particular trading execution objective, may break down your order into smaller orders over the specified time period and route these smaller orders to one or more national securities exchanges, alternative trading systems or other market centers, each according to the embedded routing logic. For certain types of order flow and/or instructions, client orders will be routed to POSIT[®], ITG’s alternative trading system, for matching opportunities before being routed to outside market centers for execution.

You may opt out of executing in POSIT altogether.

In addition, some clients of ITG’s trading services send orders directly to POSIT. Orders routed directly to POSIT are subject to ITG’s policies and procedures regarding best execution, including price and compensation associated with the purchase or sale of such securities.

POSIT

POSIT is an equity alternative trading facility as described in more detail in the Firm’s Form ATS

<https://www.itg.com/about/transparency/>.

POSIT will generally allocate trades for matching in equity securities on a size *pro rata* basis for price-eligible orders.

Any institutional or broker-dealer client of ITG is eligible to become a POSIT subscriber (a “Subscriber”). ITG employs controls that may prevent the interaction between certain types of Subscriber orders. The motivations for these controls are to: (1) protect customer orders from adverse selection, gaming, and/or potential market manipulation; (2) ensure the stability of

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POSIT’s order handling and execution systems; and (3) maintain the quality and integrity of POSIT’s liquidity pool. These measures are primarily employed to secure best execution for all Subscriber orders, which is a paramount consideration of ITG and POSIT.

ITG and POSIT employ several measures, controls, and reviews to protect Subscriber orders from gaming strategies. These tools include POSIT’s pre- and post-trade controls. ITG uses these controls to monitor trading activity in POSIT for execution quality, potential regulatory violations, and inappropriate Subscriber trading behavior.

If you would like more detailed information concerning POSIT’s matching operations and/or control measures please see the Form ATS or the ITG POSIT FAQ Document, both of which are posted on ITG’s publicly-accessible website: <https://www.itg.com/about/transparency/>.

Affiliates

ITG has a U.S. broker-dealer affiliate, AlterNet Securities, Inc. (“AlterNet”). Based on specific client instructions, AlterNet may submit orders to POSIT and/or ITG for the sole purpose of facilitating broker-dealer client orders to trade equity securities on a riskless principal and/or net trading basis. Accordingly, AlterNet will not route an order to POSIT and/or ITG until after a broker-dealer client order is received. If the AlterNet order is filled, the entire position will be immediately allocated by AlterNet to the broker-dealer client order. AlterNet executes client orders at prices that are at or within the NBBO. AlterNet maintains written disclosures regarding the net trading relationship which are provided to all AlterNet clients. Neither ITG nor AlterNet engage in any of the following activities: (1) at-risk proprietary trading; (2) market making; (3) capital commitment; and/or (4) establishing directional positions. AlterNet may also handle broker-dealer client orders in an agency capacity.

Market Access and Client Risk Management Controls

ITG employs policies, procedures, and controls to manage its regulatory, financial, and/or market access risks effectively in accordance with SEC Rule 15c3-5. Accordingly, the Firm’s account representatives and trade support teams monitor a client’s trading activity to detect potential systems issues, identify potential regulatory violations, provide product support, and/or oversee the application of the client’s risk limits.

As a user of ITG’s market access and other brokerage services, you are responsible for ensuring that you, your investors, customers, clients, employees, principals, officers, directors, and/or agents (the “Users”) abide by applicable laws and rules when submitting orders to ITG. In addition, you are reminded to establish your own risk management policies, procedures, and/or controls and to monitor your investment positions and/or trading activities closely. Moreover, you should maintain these policies, procedures, and controls independently from any market access or risk management checks that are employed by ITG.

The risk management checks employed by ITG include but are not limited to a Single Order Value Check, Limit Price Check, and Daily Aggregated Value Check. Additionally, the Firm employs controls on market orders and as such, market orders may be rejected in ITG’s discretion. Clients may request information regarding the Daily Aggregated Value Check to manage their order flow proactively.

In addition, ITG employs ITG Algorithm Risk Checks which have embedded risk controls that operate independently from the above-mentioned checks. Additional detail regarding the Firm’s Market Access and Client Risk Management are available upon request.

Order Handling

“Not Held” Orders

Orders transmitted to ITG may be handled on a “held” or “not held” basis. As a general matter, ITG handles orders from institutional clients on a “not held” basis unless specifically indicated otherwise. ITG believes that this order instruction provides for price and time discretion with the objective of achieving the best overall execution possible under prevailing market conditions.

FINRA Rule 2111

FINRA Rule 2111 requires ITG to have a reasonable basis to believe that an institutional customer is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving a security or securities and to have our institutional customer affirmatively indicate that it is exercising independent judgment in evaluating the member’s or associated person’s recommendations. Where an institutional customer has delegated decision making authority to an agent, such as an investment adviser or a bank trust department, these factors shall be applied to the agent.

FINRA Rule 5320

Rule 5320 generally prohibits a member firm that accepts and holds a customer order from trading for its own account at terms that would satisfy the customer order, unless the member immediately thereafter executes the customer order at the same or better price than it traded for its own account. Please note that consistent with regulatory guidance, “not held” orders are outside the scope of the rule. While ITG does not trade proprietarily, in the normal course, ITG may require the ability to trade principally for error and accommodation purposes. As such, ITG may during the course of such transaction, trade principally at prices that may satisfy your order. This disclosure establishes your consent for ITG to engage in this type of activity while working your orders. Please reach out to your account representative should you wish to revoke this consent at any time.

FINRA Rule 5270

In the normal course, ITG may require the ability to trade principally for error and accommodation purposes. Such principal orders may impact the price of pending client order flow. ITG, however, will use reasonable efforts to avoid or minimize any such impact and to obtain best execution for any pending client orders.

Principal Trading

ITG does not engage in any of the following activities: (1) at-risk proprietary trading; (2) market making; (3) capital commitment; and/or (4) establishing directional positions.

In the normal course, ITG may require the ability to trade principally for error and accommodation purposes.

Restricted Securities

You acknowledge and agree that you will not place an order to sell any restricted securities subject to Rule 144 or 145(d) under the Securities Act of 1933, as amended, or any other securities transactions requiring a “Broker’s Representation Letter,” unless you first notify ITG regarding the status of such securities and furnish ITG with any and all necessary documentation (including opinions of legal counsel, if requested) to permit legal transfer of such securities. You are responsible for any and all costs and expenses associated with compliance or failure to comply with the requirements of Rules 144 and 145(d). Furthermore, you recognize and acknowledge that even if all necessary documentation is provided to ITG in a timely manner, there may be delays in processing securities transactions subject to Rule 144 or 145(d) under the Securities Act of 1933. ITG, in its sole and absolute discretion, may require the

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retention of proceeds from any sale and/or that such securities not be delivered until the securities become legally transferable.

Issuer Repurchases

SEC Rule 10b-18 provides issuers with a safe harbor from certain anti-manipulation rules and regulations on the condition that certain requirements relating to the price, time, and volume are met. Should an issuer client desire to engage ITG to assist it in a repurchase transaction, the client should contact our trading desk directly.

Routing & Execution Information

In accordance with SEC Rules 605 and 606 under Regulation NMS, ITG order routing and execution statistics can be found on ITG’s website at www.itg.com. ITG may also provide additional execution-related detail based on written request. Please contact your ITG account representative.

ITG may route certain orders through third parties to receive incremental pricing benefits from national securities exchanges.

ITG has only one market center in accordance with Rule 600(b)(38) of Regulation NMS, the Firm’s alternative trading system, POSIT.

Limit Prices for NMS Securities

ITG will not accept limit orders, or indications of interest in any NMS stock priced in a sub-penny increment smaller than \$0.01 if the quotation, order, or indication of interest in the security is priced equal to or greater than \$1.00 per share. If the quotation, order, or indication of interest is priced less than \$1.00 per share, ITG will not accept limit orders in a sub-penny increment less than \$0.0001.

Indications of Interest

ITG may disseminate indications of interest (“IOI”). IOIs are expressions of trading interest that contain one or more of the following elements: security name, side of the market, size and/or price. In accordance with guidance issued by regulators and service providers, all IOIs disseminated by ITG are “natural,” meaning the interest is being represented on an agency basis.

Conditional Orders

Conditional orders are not firm orders but an instruction to a venue that a participant wants to interact with the order book on a conditional basis. ITG’s algorithmic trading strategies may generate conditional orders to seek liquidity in various destinations. In addition, the Firm operates POSIT Alert®, an indications matching system which allows participants to link their internal order management systems or trade blotters for conditional trading interests. A conditional order is not directly

executable; instead, when a conditional order has an opportunity to match with a contra party, ITG will send an invitation to the client responsible for the conditional order, inviting them to send a Firm-Up Response Order. Firmed-up orders are sent to POSIT for crossing.

Desk Commentary

Desk commentary is prepared and distributed by sales and trading personnel and is intended for institutional investors only and is not subject to all of the independence and disclosure standards applicable to research reports prepared for retail investors.

Information

ITG analyzes transaction data on an individual and aggregate basis for a variety of purposes, including counterparty risk management, sales coverage, and customer relationship management. In addition, ITG may analyze, comment on, and disseminate aggregated and anonymized information regarding executed transactions, as well as unexecuted orders or transaction instructions, together with other available information regarding various markets, internally and (with potential categorization as to product, geography, sector, and/or industry) to its customers as part of its general market commentary. Further, ITG advertises executed trade volumes from across all its businesses, including from its alternative trading system, POSIT, in one or more market-wide dissemination systems. ITG may advertise at any time during the trading day after the trade(s) have been reported to an applicable trade reporting facility. (Information relating to POSIT orders that have not yet been executed, however, will not be similarly advertised.) Customers may elect to not allow advertisements of their trading activity by contacting their account representative. All information provided to a customer by ITG (unless already in the public domain) should be treated as confidential and should not be disclosed by a customer to any third party. Please note that ITG may provide information as necessary to fulfill legal or regulatory responsibilities and respond to requests with which it is required to comply.

Business Continuity Plan

A copy of ITG’s Business Continuity Plan can be found here: <http://www.itg.com/compliance/business-continuity-plan/>

Telephone Recording Disclosure

Certain telephone lines in our sales and trading departments may be recorded. Please note that these recordings may be made with or without the use of a spoken warning, tone, or similar notification.

Options

U.S. options orders received by ITG are routed to, and provided market access by, Matrix Executions, LLC. ITG’s parent, Investment Technology Group, Inc., has an indirect minority interest in Matrix Executions, LLC.

In order to properly represent options orders entered on exchanges, ITG is required to indicate whether public customer orders are “Professional Orders.” To comply with this requirement, ITG is required to review its customers’ activity on at least a quarterly basis to determine whether options orders that are not for the account of a broker or dealer should be represented as Professional Orders. Under circumstances where ITG identifies a customer who has placed an average of more than 390 orders in listed options per day during any month of a calendar quarter, ITG will represent that customer’s orders as Professional Orders within five (5) days of the next calendar quarter. If, during a quarter, an exchange identifies a customer for which orders are not being represented as Professional Orders but that has averaged more than 390 orders per day during a month, the exchange will notify ITG, and ITG will be required to change the manner in which it is representing the customer’s orders within five (5) days.

Please review the characteristics and risks of standardized options document found at the following link: <https://www.theocc.com/about/publication/s/character-risks.jsp>