Liquidnet Asia Limited

Alternative Liquidity Pool Guidelines provided in compliance with Paragraph 19.7 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("SFC Code of Conduct")

The latest version of this Guideline is available on our website: http://www.liquidnet.com/#/about-us/regulatory/

1. Introduction

Liquidnet Asia Limited ("Liquidnet Asia") operates the alternative liquidity pool (the "Liquidnet Asia System") for matching of buy and sell indications and orders for equity securities listed in the following Asian markets:

Jurisdiction	Exchange(s)
Hong Kong	Hong Kong Stock Exchange (**HKEx**)
India	Bombay Stock Exchange (**BSE**)
	National Stock Exchange of India (**NSE**)
Indonesia	Indonesian Stock Exchange (**IDX**)
Korea	Korea Exchange (**KRX**)
Malaysia	Bursa Malaysia (**KLSE**)
Philippines	Philippine Stock Exchange (**PSE**)
Singapore	Singapore Exchange (**SGX**)
Taiwan	Taiwan Stock Exchange (TWSE)
Thailand	Stock Exchange of Thailand (**SET**)

Liquidnet Asia is licensed by the Hong Kong Securities and Futures Commission for carrying our Type 1 (dealing in securities) and Type 7 (providing automated trading services) activities. Liquidnet Asia is also registered with the Monetary Authority of Singapore as a Recognised Market Operator. Liquidnet Asia is not otherwise licensed by or registered with any other regulator.

2. User criteria

Users access the Liquidnet Asia System as a Member or a Trading Desk customer of Liquidnet Asia or its affiliates. A Member or Trading desk customer of Liquidnet Asia (together referred to as "customers") must be located or have traders located in Asia (subject to local rules and requirements).

All users that may access the Liquidnet Asia System, wherever located, must be qualified investors as defined in the SFC Code of Conduct. All users based in Singapore must be professional investors, accredited investors or expert investors. In addition, a user must meet the following requirements:

(i) Member

A "Member" of Liquidnet Asia must be a buy-side institutional investor with total equity assets or total equity assets under management of US$200 million or more[1]. A Member must have an order management system ("OMS") with which Liquidnet Asia can interface. Once the OMS has been integrated, a Member can gain access to the Liquidnet Asia System by transmitting "indications" from their OMS and manage those indications through the Liquidnet desktop application, which is installed at one or more trader desktops at the Member firm. An indication is a non-binding instruction relating to a specific securities symbol. Indications can be transmitted through a periodic sweep, FIX transmission or another method agreed among Liquidnet, the Member and the OMS vendor, as applicable. Liquidnet Asia does not 'hold' indications and Members may place orders represented by the indications to other brokers prior to execution in the Liquidnet Asia System.

(ii) Trading desk customers

A "Trading desk customer" of Liquidnet Asia must be an institutional client or a securities dealer that is a transition manager. A Trading desk customer can gain access to the Liquidnet Asia System by placing firm instructions to the Liquidnet trading desk via telephone, email or other electronic means, including via FIX. As such customers will not have access to the Liquidnet desktop application, they cannot access the manual negotiation functionality (see below under "Trading in the Liquidnet Asia System"). Orders are cancelled at the end of the day unless specific instructions have been agreed with Liquidnet Asia.

A Member can also be a Trading desk customer when it places instructions to the Liquidnet trading desk instead of using the Liquidnet desktop application.

3. User Restrictions

Each user must comply with all legal and regulatory requirements applicable to the user in connection with its use of Liquidnet Asia's services, including the following:

- A user must not knowingly prearrange a specific trade with an affiliated customer through the Liquidnet Asia System in violation of applicable law.
- A user must not short sell Hong Kong, Indian, Indonesian, Korean, Malaysian, Philippines, Taiwanese and Thai equities in the Liquidnet Asia System
- Where short sell is permitted, a user must comply with applicable regulatory requirements
- A user must not engage in any activity that constitutes market manipulation
- A user must not engage in any form of market abuse.
- A user should not trade stock that is on a user's internal restricted list.
- A user must not commit any act or engage in any course of conduct which is likely to interfere with the operations of a fair and orderly market.

---

[1] A Member of Liquidnet Inc or Liquidnet Canada Inc, being Members located in USA and Canada, respectively, must have equity assets under management of US$100million or more. Members of other Liquidnet affiliates must have equity assets under management of US$200million or more.

Users must not disseminate outside Liquidnet Asia any information about Liquidnet indications and negotiations.

Members are also expected to adhere to the behaviors set down in the member protocols when interacting with other users through the Liquidnet desktop application. The member protocols and details of Liquidnet Australia's complaints handling procedures are available in the Member's section of the Liquidnet website.

Liquidnet Asia may suspend a user's access to Liquidnet Asia's services or terminate its relationship with any user who violates any legal or regulatory requirement. In addition, Liquidnet Asia can suspend a user's participation in Liquidnet Asia in accordance with Liquidnet Asia's risk management processes, based on credit concerns, regulatory compliance, system and technical issues, non-compliance with usage protocols as made available from time to time, and other factors that Liquidnet determines appropriate, subject to Liquidnet Asia acting in a non-discriminatory manner.

4. Trading and Operational Matters

(i) Routing to other venues

The Liquidnet Asia System only matches indications and orders within the Liquidnet Asia System and does not route orders to any other execution venue. However, customers can give specific instructions for Liquidnet Asia to route firm orders for execution solely in other execution venues or to execute both in the Liquidnet Asia System as well as other execution venues[2].

(ii) Accessing and Trading on the Liquidnet Asia System

Indications and orders are transacted within the Liquidnet Asia System by accessing the manual negotiation functionality or the auto-negotiation functionality. When both sides of an order are negotiated by the auto-negotiation functionality, Liquidnet refers to such orders as H2O orders.

(a) Manual negotiation functionality

The manual negotiation functionality is only available through the Liquidnet desktop application and hence only available to Members. All Asian equities can be accessed using the manual negotiation functionality. Members can elect not to participant in the negotiation functionality by instructing Liquidnet Asia not to transmit the Member's indications to Liquidnet's indication matching engine.

A trader at a Member firm can choose whether to make an indication active, passive or outside through the Liquidnet desktop application. An indication that is set outside or has a price limit outside the reference price or that is below the minimum quantity set by Liquidnet Asia is ineligible for matching in the Liquidnet Asia System.

---

[2] Liquidnet does not provide services for executing orders for India, Korean and Taiwan equities outside the Liquidnet Asia System. Customers wishing to execute in those markets outside the Liquidnet Asia System should place orders direct with our execution broker for India, Korean and Taiwan, being Morgan Stanley.

A trader that has set an indication to passive or active will be matched if there is a matching indication that is within the 'tolerance' and limit price set by the trader. The tolerance is the minimum percentage of the Member's working quantity based on number of shares and/or percentage of average daily trading volume (based on 30 prior trading days) and is intended to protect a user from negotiating with an opposite side (the "contra") whose working quantity is too small.

Liquidnet negotiations are anonymous one-to-one negotiations. A trader will know that the contra has a tolerance meeting his or her minimum but will not otherwise know the quantity of shares the contra can trade.

A trader that has a match may either send an invitation to negotiate or set the indication to active (if passive) to indicate he is ready to receive an invitation to negotiate. The trader can only send an invitation on a match to one contra at a time. The invitation must specify a price and negotiation quantity and is a firm order. The contra can respond by accepting the invitation, which opens up a negotiation room on the Liquidnet desktop application or decline to negotiate. If the contra opens the negotiation room, he can respond by accepting the proposal, changing the quantity (above the set tolerance) and accepting, submitting a counter-offer (except for mid-peg invitations), allow the proposal to expire by not responding within the configured time or end the negotiation.

After the first invitation, subsequent bids and offers may be submitted as counter-bids or counter-offers in the negotiation and the proposal can be cancelled before a transaction takes place. Traders can also send messages to each other using negotiation using the chat function on the Liquidnet desktop application.

There are two types of negotiation proposals: priced and mid-peg. A priced proposal has an associated price displayed to the contra and can only be transacted at the indicated price. A mid-peg proposal does not have an associated price. A mid-peg proposal, if accepted, is transacted at the mid-price at the time the proposal is accepted.

Prior to starting a negotiation, submitting a proposal, or taking any other action in a negotiation, a trader should confirm that the price and quantity and other information relating to that action accurately reflect the trader's and the Member's intended action. In particular, the trader should confirm that the proposal price is within any limit price set by the Member and within any price and quantity limits set in the Member's OMS. Traders should be aware that Liquidnet Asia does not update available quantity or working quantity for changes in OMS order quantity once a negotiation has commenced.

Members can choose from various default and configuration settings relating to matches and negotiations in the Liquidnet Asia System, including in relation to:

- Price alerts for indications set outside
- The reference price for indications with limit price
- Minimum and maximum tolerance settings
- Default to passive or active
- Automatic convert indications from active to passive
- Mid-peg price constraints

These settings are initially discussed and agreed with the Member as part of the process for integrating the Member's OMS to the Liquidnet Asia System. Further information on default and configuration settings relating to Member integration and the Liquidnet desktop application are set out in the Liquidnet Trading Rules. Members should contact their Relationship Manager for full details of configuration and default settings.

(b) Auto-negotiation functionality

The auto-negotiation functionality is available to Members and Trading desk customers for all Asian equities except Indian equities. Members can access this functionality by selecting a Liquidnet only strategy[3] or a Liquidnet trading algorithm from the Liquidnet desktop application. A Member using Liquidnet desktop application version 3.16 or higher also has the option to use the auto-negotiation functionality when he has a match on his indication instead of manually negotiating with the contra.

Trading desk customers can access the auto-negotiation function by submitting orders to the Liquidnet trading desk by telephone, email, FIX or other electronic means (including via their OMS). A Trading desk customer can set up a FIX connection to access a Liquidnet only strategy[3] or a Liquidnet trading algorithm directly from their OMS. Otherwise, orders submitted to the Liquidnet trading desk are routed manually by Liquidnet trading desk personnel to the Liquidnet Asia System and/or external venues in accordance with the customer's instructions.

A Liquidnet only strategy sends an order to the Liquidnet Asia System based on the stated quantity, and if specified by the user, limit price and minimum quantity. Liquidnet only strategies are available for all Asian equities except India.

A Liquidnet trading algorithm (except a Liquidnet only strategy) sends a conditional order to the Liquidnet Asia System while simultaneously sending firms orders to external venues in accordance with the design and parameters for that trading algorithm. Users can specify the quantity, limit price, minimum quantity and such other parameters as applicable for the trading algorithm. Orders in external venues will be cancelled before a conditional order in the

---

[3] Liquidnet only strategies route firm or conditional orders only to the Liquidnet Asia System and do not utilize traditional algorithm functionalities, but is sometimes referred to as trading algorithms because they are created by Members and Trading desk customers through the Liquidnet desktop application or an OMS in the same way as traditional algorithms.

Liquidnet Asia System is recorded. Liquidnet Asia currently provides trading algorithms that can access the Liquidnet Asia System for Hong Kong equities[4].

In all cases, an order accessing the auto-negotiation functionality will be eligible for matching in the Liquidnet Asia System if the limit price (where specified) is at or within the current bid and ask price. If there is a match, the Liquidnet software, known as the Liquidnet negotiation contra or 'LNC', will negotiate the order on behalf of the user based on the limit price and minimum quantity specified by the trader. Upon the match, the LNC will send an invitation to negotiate (if the manual contra is active) or accept an invitation from the manual contra. The LNC can only send a mid-peg proposal and can only accept a mid-peg proposal or an explicit price at the mid-price (or better). Where both sides of a matched indication is auto-negotiated (referred to by Liquidnet as a H2O order), the match is automatically transacted at the mid-price.

(c) Targeted invitation functionality

The targeted invitation functionality, available via the Liquidnet 5 version of the Liquidnet desktop application, complements the Liquidnet Asia System but does not change the way that indications are matched and executed in the system. This functionality allows qualifying Members to anonymously send an invitation via the Liquidnet desktop application to other qualifying Members who have recent activity in a relevant stock with the intention that recipients make available an opposite-side order for matching on the Liquidnet Asia System. A targeted invitation represents a firm order in the Liquidnet Asia System and any matches are negotiated and executed using the auto-negotiation functionality. The targeted functionality is available for all Asian equities except Indian equities.

Details of the targeted invitation functionality are set out in Schedule B to this document.

(c) Summary of access to the Liquidnet Asia System

Equities	Functionality			
	Manual negotiation	Automatic negotiation		Targeted invitation
		Trading Algorithm	Other	
Hong Kong	✓	✓	✓	✓
India	✓	✗	✗	✗
Indonesia	✓	✓	✓	✓
Korea	✓	✗	✓	✓
Malaysia	✓	✗	✓	✓
Philippines	✓	✓	✓	✓
Singapore	✓	✓	✓	✓
Taiwan	✓	✗	✓	✓
Thailand	✓	✓	✓	✓

---

[4] Liquidnet Asia also provides algorithms that can route to Liquidnet affiliates for accessing crossing systems operated by those affiliates

Members and Trading desk customers should contact their relationship manager with any questions on their version of the Liquidnet desktop software or methods for providing instructions to the Liquidnet trading desk.

(iii) Source of Liquidity

There is only one type of liquidity in the Liquidnet Asia System, being indications and orders from Members and Trading desk customers of Liquidnet Asia (if located in Asia ex-Japan) or from Members and Trading desk customers of an overseas Liquidnet entity (if located outside Asia ex-Japan). All liquidity share the same priority. The Liquidnet group does not engage in proprietary trading and there are no proprietary orders in the Liquidnet Asia System[5].

(iv) Priority

Where a limit price is specified for an indication or order, the price must be at or within the current bid and ask to be eligible for matching in the Liquidnet Asia System.

If there are multiple matches, a LNC order (representing one or more automatically negotiated orders) will execute with a contra LNC order (if any) prior to any negotiation with a Member using the manual negotiation function. Otherwise, Liquidnet lists active contras based on time priority (when the contra went active first), except that a contra that represents the LNC will be listed above other contras. An invitation will by default be sent to the contra that is listed first, subject to the following exception. If a trader's mid-peg invitation is above a contra's tolerance and missed or declined by the contra (or expires), (i) that trader takes priority if the contra subsequently sends a proposal within 30 seconds after the contra missed or declined the invitation, and (ii) a trader at another Member firm cannot submit a proposal to the contra during that 30-second period. The 30-second period is reduced to 10 seconds when the contra declined the invitation from the trader and specified the reason as "Explicit Price Only." In any case, a trader can override the default and select to which contra to send the invitation.

For multiple matches where two or more orders on the same-side are automatically negotiated, the LNC will aggregate the orders and execute the two (or more) same-side orders equally (for each order, up to its quantity and subject to any specified minimum quantity).

(v) Executions in the Liquidnet Asia System

Matched buy and sell orders transacted in the Liquidnet Asia System are executed as follows:

- For Indonesian, Korean, Malaysian, Philippine, Singaporean, Taiwanese and Thai equities, Liquidnet Asia transmits the matched buy and sell orders to a local broker for execution and execution is subject to the rules and requirements of the local exchange or other venue on which the local broker executes the trade.

- For Indian equities, Liquidnet Asia routes the matched buy and sell orders to its local broker in India who sends the orders as a buy limit order and a sell limit order to the electronic limit order

---

[5] In cases of error or accommodation, Liquidnet Asia may act as principal for settlement purposes.

book of a local exchange for execution. Where there are existing orders on the electronic limit order book of the local exchange, with higher price or time priority than the matched orders submitted by Liquidnet Asia's local broker, one side of the matched orders will execute in whole or in part against the open orders on the exchange, and the other side of the matched orders will be returned partially executed or wholly unfilled. The amount of unfilled order will depend on the volume of higher priority orders on the exchange electronic limit order book at the times the orders are submitted by Liquidnet Asia's local broker for execution.

• For Hong Kong equities, Liquidnet Asia executes the matched buy and sell orders in the Liquidnet Asia System and reports the trade to HKEx in accordance with the rules and requirements of HKEx.

(vi) Execution pricing

Except for Indian equities, the executed price of a transaction conducted in the Liquidnet Asia System is the negotiated price for a transaction as conducted by Members if both sides are using the manual negotiation functionality and at the mid-point if both sides are using the auto-negotiated functionality. Where only one side is using the auto-negotiated functionality, the LNC can only accept a proposal at the mid (or better). In all cases, the execution price is subject to price restrictions under local rules and regulations.

For Indian equities, the executed price of a transaction negotiated in the Liquidnet Asia System is the price of each trade as executed on the local exchange, which will either be the price as transacted in the Liquidnet Asia System or an improved price.

A Member will be alerted by a message in the Liquidnet desktop application if the transacted price is more than 2% away from the current market price (where available) and the trader at the Member firm will need to confirm to proceed.

(vii) Restriction on trading certain stocks

The following equities are restricted from trading on the Liquidnet Asia System: Korean stocks that are subject to foreign investor restrictions; Thai stocks other than Foreign Shares and Non-Voting Deliverable Receipts; Indian stocks that are listed as illiquid securities by, or in the "Trade for Trade Segment" of, BSE or NSE; Singapore stocks that have traded 10% or more of market volume in the Liquidnet Asia System during two of the preceding six calendar months; and Taiwanese stocks that are subject to pre-delivery and pre-funding requirements or where stock or fund checks are required, Conversion type stocks, Disposal type stocks and Taiwanese REITS, ETFs and PRFs. Other stocks may be restricted from time to time based on restrictions imposed by our local execution or trade reporting brokers.

(viii) Order cancellation

Once orders are executed in the Liquidnet Asia System, they cannot be canceled unless the execution was erroneous or both parties to the trade agree to the cancellation, in all cases subject to local rules and regulations. If cancellation is not possible, Liquidnet Asia may accommodate the

trade in accordance with its accommodation policy. Any decision to accommodate a trade is at the sole discretion of Liquidnet Asia.

(ix) Commissions

Liquidnet Asia's agency commission structure is based on the type of product/function used by the customer and some products/functions may involve higher fees for executions conducted in the Liquidnet Asia System.

(x) Activities reports

Upon a customer request, Liquidnet Asia can provide various transaction analysis and match reports concerning the customer's matches and executions that take place in the Liquidnet Asia System.

(xi) Other trading and operational matters

See Schedule A for details of other operational matters.

5. Risks disclosures and internal control procedures

(i) Indications are non-binding; indications and orders may not find matches in the Liquidnet Asia System

Indications in equities from Members are non-binding and matching with a contra using the manual negotiation functionality may not result in an execution. Liquidnet Asia monitors for system usage and monitors for patterns of conduct by Members and Trading desk customers that could cause frustration for other users or may amount to abusive trading behavior. Liquidnet Asia Sales personnel also monitor matches in the Liquidnet Asia System in real-time to facilitate negotiations, monitor matching activities and respond to issues. Liquidnet trading desk personnel monitor trading conducted by Liquidnet trading algorithm users.

(ii) System outages

Technical or other issues may from time to time impact the Liquidnet Asia System such that it is unable to correctly receive indications from our Members' OMS or match indications and orders that have been received or otherwise interrupt fair and orderly trading in the Liquidnet Asia System. Where such system issues materially affect the efficiency or proper functioning of the Liquidnet Asia System, Liquidnet Asia will halt matching on the Liquidnet Asia System for the affected equities or take such other measures as considered reasonable in the circumstances. In any such case, if Liquidnet Asia is not able to resolve the system issue within a reasonable time, Liquidnet Asia will notify affected customers of the system issue and reject firm orders. Liquidnet will notify affected Members and customers when the system issue is resolved and trading on the Liquidnet Asia System is available. Indications are non-binding and Members retain the ability to trade their orders with other brokers.

(iii) Use and disclosure of trading information

Liquidnet Asia has controls in place to prevent the misuse of trading information by the Liquidnet group and its personnel and to manage conflict of interest in relation to trading information. Customers can also make elections on the disclosure of their execution data using a web-based system known as Liquidnet Transparency Control. Customers can use the tool to make elections relating to products and services that are complementary to Liquidnet's core offering. Further details on the use and disclosure of trading information are set out in the Liquidnet Order Handling Q and A Document, which is available in the Member's section of the Liquidnet website.

(iv) Use of market data

Market data is provided to Liquidnet by Thompson Reuters, which sources the market data from the primary exchange (NSE only for Indian equities). Liquidnet provides market data on highest bid and lowest ask and last sale in the Liquidnet desktop application. Market data is provided to traders at Member firms to assist with the negotiation process. Liquidnet Asia allows traders to use this market data by clicking on the bid, mid, ask or last market price or the last submitted proposal. A user can manually change this actual value price prior to submitting a proposal.

Members should have an independent source of market data at the time a proposal or order is transmitted or modified to verify or validate market data provided through the Liquidnet trading application.

(v) Settlement and Counterparty

Trades are settled in accordance with normal exchange procedures and settlement calendar as applicable for the local market. Failures will follow the applicable rules of the local market. Settlement is between a Liquidnet account at BNP Paribas Securities Services and the account(s) designated by the customer, except as follows:

- Settlement of Indian equities is between Morgan Stanley India Company Private Ltd and the account(s) designated by the customer

- Settlement of Korean equities is between Morgan Stanley & Co, International plc, Seoul Branch and the account(s) designated by the customer

- Settlement of Taiwanese equities is between Morgan Stanley Taiwan Limited and the account(s) designated by the customer

6. Access to trading information

Title	Department	Reason
Head of Asia Pacific	APAC Management	Management and supervision
Chief Operating Officer	APAC Management	Management and supervision
Relationship Manager	APAC Sales	Provide trading support, monitoring and responding to issues
Business Development and Sales	APAC Sales	Provide trading support and managing customer relationship
Sales Analytics	APAC Sales	Preparation of post-trade reports to provide to relevant functions and regulators
Traders	APAC Execution and Quantitative Services	Provide trading support and monitoring for orders placed through the trading desk
Quantitative Analyst	APAC Execution and Quantitative Services	Support post-trade analytics and provide decision-support analytics
Legal officers / Compliance officers	APAC Legal and Compliance	Monitoring and reviewing transactions; preparing regulatory reports
Finance	APAC Finance	Prepare financial and regulatory reports and accounts;
Trade Support	APAC Trade Support	Handle account set-up, trade allocations and trade settlement
Product Support and Implementation	APAC Product Support	Technical support and troubleshoot trading issues
Algorithmic Services Analyst	Execution and Quantitative Services	Monitor and review algo performance
Algorithmic Product Specialist	Execution and Quantitative Services	Design, develop, support and review algorithms and provision and analysis of related data
Trading Analytics	Trading Analytics	Global post-trading reporting and statistics
Software Engineer	Technology	Ad hoc access as necessary to provide design, development and technical support
Systems administrator	Enterprise Technology Support	Ad hoc access as necessary to provide design, development and technical support
Business Intelligence	Enterprise Technology Support	Develop reports for use by internal functions
Database administrator	Enterprise Technology Support	Ad hoc access as necessary to provide design, development and technical support
Products Analyst	Products	Using post-trade data for product development and enhancements

Relationship Managers in the US and EMEA Sales departments are able to access trading information relating to customers based in the localities they cover.

The counterparts of those persons listed above, and who are located in the US and EMEA departments corresponding to the APAC departments listed above, are also are able to access trading information on an as needed basis to provide "follow-the-sun" coverage , for the purpose of providing back-up or emergency technical support, and to provide technology design and development support.

Further details on access to information by Liquidnet employees are set out in the Liquidnet Order Handling Q and A Document, which is available in the Member's section of the Liquidnet website.

Schedule A – Other Trading and Operational Matters

Equities	Liquidnet trading hours (Hong Kong time)	Local execution/trade reporting broker*	Execution or Trade reporting venue	Short selling	Minimum size^
Hong Kong	08:00 to 17:00	Liquidnet Asia	HKEx	Not permitted	Default
India	11:45 to 17:50	Morgan Stanley India Company Private Ltd#	BSE and/or NSE	Not permitted	None
Indonesia	09:00 to 17:00	PT Morgan Stanley Securities Indonesia	IDX	Not permitted	Default
Korea	07:00 to 14:30	Morgan Stanley & Co, International plc, Seoul Branch#	KRX	Not permitted	Lesser of 5,000 shares or KRW 100million
Malaysia	09:00 to 16:58	CIMB Investment Bank Berhad	KLSE	Not permitted	Default
Philippines	09:00 to 10:30	Salisbury BKT Securities Corporation (via CIMB Securities Limited)	PSE	Not permitted	Default
Singapore	08:00 to 17:30	Credit Suisse Securities Singapore Limited	SGX	Permitted if covered	Lesser of 50,000 shares or SGD150,000
Taiwan	07:30 to 16:00	Morgan Stanley Taiwan Limited#	TWSE	Not permitted	500,000 shares or NTD15,000,000
Thailand	10:00 to 17:50	Macquarie Securities (Thailand) Limited	SET	Not permitted	Default

---

* Where a local broker is unable for any reason to report a trade, Liquidnet Asia may seek an alternative broker to report the trade.
^ Default minimum order size is the lesser of US$100,000 and 5% of ADV
# Users wishing to trade Indian, Korean and Taiwanese equities in the Liquidnet Asia System must also be a client of Morgan Stanley for those markets and the investor identities must be identified to Morgan Stanley in accordance with local rules and regulations for trading in those markets.

Schedule B - Details of Targeted Invitation Functionality[6]

The below sets out a summary of the operation of the targeted invitation functionality. Please refer to the Liquidnet Trading Rules for full details and contact your Relationship Manager if you have any questions or wish to opt-in to this functionality.

1.   Qualifying Members

Only qualifying Members may send and receive targeted invitations and must opt-in using the Liquidnet Transparency Controls. The criteria are set out below and are determined on a quarterly basis based on a Member's activity during the two prior calendar quarters.

To qualify for any quarter, a Member must meet either of the following conditions[7]:

- Average daily liquidity of USD $100M or more (or equivalent in other currencies) provided to Liquidnet during either of the two prior quarters
- Any liquidity provided to Liquidnet during either of the two prior quarters and positive action rate (PAR) of 40% or higher during either of the two prior quarters.

Positive action rate (PAR) relates to Member activities around matches. Positive action means going active on a match, sending an invite to an active contra or using the auto-negotiation functionality and the PAR is the percentage of matches where a party takes a positive action.

2.   Creating a Targeted Invitation

A qualifying Member that has an indication in a specific stock available for matching in the Liquidnet Asia System but that is not currently matched can use the Liquidnet desktop application to create a targeted invitation. When creating the targeted invitation, the Member must specify the quantity[8], minimum execution size, limit price, maximum number of recipients for sending invitations, look-back period and time-in-force. A targeted invitation represents a firm order available for matching in the Liquidnet Asia System in the same manner as other orders using the auto-negotiation functionality. Targeted invitations are only available when the relevant public exchange is open for trading.

By default, the targeted invitation is sent to traders at qualifying Members where the recipient trader meets any of the following criteria[9]:

- ***Opposite-side indication in Liquidnet.*** The Liquidnet Asia System received an opposite-side indication from the recipient at any time during the look-back period, where the available quantity was at least the default minimum quantity.

- ***Opposite-side indication placed away.*** The recipient has or had an opposite-side indication in its order management system at any time during the look-back period where the quantity placed at other brokers is or was at least the default minimum quantity.

---

[6] Changes to Targeted Invitation effective from or after 27 June 2016
[7] Any exceptions subject to determination by Liquidnet on an objective and non-discriminatory manner
[8] Subject to a default minimum quantity of the lesser of USD2.5million or 50% average daily volume (or the default minimum order size for the market if average daily volume is not available)
[9] Subject to exceptions to minimize the likelihood of the recipient having the same side indications

- ***Opposite-side execution in Liquidnet.*** The recipient executed in the Liquidnet Asia System with anyone at any time during the look-back period, where the recipient executed on the opposite-side to the sender's order (for example, the recipient executed a buy order and the sender's targeted invitation is a sell order) and the recipient's execution quantity was at least the default minimum quantity.

- ***Executed against sender.*** The recipient executed in the Liquidnet Asia System against the sender at any time during the look-back period, where the execution quantity was at least the default minimum quantity.

- ***Invited the sender.*** The recipient sent the sender a negotiation invitation or targeted invitation at any time during the current trading day.

The look-back period can be (i) only the current trading day; or (ii) the current trading day and up to 90 proceeding trading days as determined by the sender.

The Member creating the targeted invitation has the further option to restrict recipients to only those that executed against the sender and/or invited the sender.

3.   Receiving a Targeted Invitation

A recipient of a targeted invitation is notified through the Liquidnet desktop application. The recipient can act to make an opposite-side indication or order available for matching in the Liquidnet Asia System with the sender's order.

The notification includes the stock code and the sender's minimum execution size, but the recipient must take an action through the Liquidnet desktop application to see the minimum execution size.

On receipt of a targeted invitation, in addition to making an opposite side indication or order available for matching in the Liquidnet Asia System, the recipient can either (i) notify the sender that the recipient is interested and request more time to respond to the targeted invitation or (ii) dismiss the notification.