

(Including information on Limit Orders, Execution Venues, Trade and Transaction Reporting and Material Interests)

1 GENERAL OVERVIEW AND CATEGORISATION

Liquidnet Europe Limited (“LNEL” or “Liquidnet”) is an investment firm authorised and regulated by the Financial Conduct Authority (“FCA”). Under the rules of the FCA and the Directive 2004/39/EC of the European Parliament and the Council of 21 April 2004 on Markets in Financial Instruments and its implementing directives and regulations (“MiFID”), investment firms are required to categorise their clients into one of three regulatory categories. Unless a client has made a request in writing to LNEL to be categorised as an eligible counterparty, LNEL will categorise all of its clients as professional clients. (LNEL does not provide services directly to retail clients.)

Under the rules of the FCA and MiFID, each investment firm is required to implement an order execution policy and to take all reasonable steps to obtain the best possible result (or “best execution”) for its clients either when executing client orders or receiving and transmitting orders for execution. For clients that request to be categorised as eligible counterparties, pursuant to MiFID and FCA rules, LNEL owes no obligation of best execution.

In addition to detailing LNEL’s Order Execution Policy, this document also provides information for all clients regarding limit orders, execution venues, trade and transaction reporting by LNEL.

2 ORDER EXECUTION

2.1 Liquidnet agency trading business: (i) operator of a Multilateral Trading Facility; (ii) agency trading desk

LNEL operates a multilateral trading facility (“MTF”) defined in Title 1, Article 4 of MiFID as a system which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with Title II of MiFID. Liquidnet members are able to negotiate trades on a one-to-one basis directly with other Liquidnet members. These trades are brought onto the MTF. Additionally, orders can be executed at the mid-point of the best bid and best ask price in the primary market at the time of execution.

Liquidnet members can use the Liquidnet desktop application to negotiate trades directly with other members. For these manually negotiated trades, the contract is concluded strictly in accordance with clients’ specific instructions entered during the negotiation process. Liquidnet members also can create Supernatural orders through the Liquidnet desktop application. In creating a Supernatural order, the member must designate a strategy. Based on the strategy designated by the member, Liquidnet will execute the member’s order in the Liquidnet MTF and external liquidity pools, unless the member designates the Supernatural order as Liquidnet only, in which case the order will not access external liquidity pools.

Liquidnet also operates an agency trading desk. Clients can submit orders to the trading desk by FIX or other means. When a client submits an order to the trading desk, the trading desk will implement the Supernatural order strategy requested by the client (electronically or by telephone). If the client does not designate a specific strategy, a trader at the Liquidnet trading desk will designate a Supernatural order strategy that most closely aligns with the client’s instructions. Alternatively, the Liquidnet trader can work the order according to the client’s instructions, which can include allocating a portion of the order for execution on the Liquidnet MTF and allocating a portion of the order for routing to external liquidity pools. Client Supernatural orders access the Liquidnet MTF and external venues in the same manner as Liquidnet member Supernatural orders. Trading desk clients also can designate orders as external only, in which case the orders do not interact with the Liquidnet MTF and are not considered Supernatural orders.

Members can also designate Supernatural orders as “direct to desk” through the Liquidnet desktop application, in which case the Liquidnet trader either will designate a Supernatural order strategy that most closely aligns with the member’s instructions or will work the order according to the client’s instructions (as described in the preceding paragraph).

2.2 Order Execution - Obtaining the best possible result

Subject to any specific instructions that may be given by clients (see Section 2.1 above and Section 2.3 below), when executing orders on clients’ behalf, LNEL will take all reasonable steps to obtain the best possible result for clients taking into account the execution factors and criteria listed in Section 2.4 below.

Please note that in regards to the wholesale fixed income market it is normal market practice (as recognised by the European Commission) for participants to “shop around” by approaching several brokers/dealers for a quote. This is often known as a “dealer market”, because there is no publicly available price at which orders are being executed. For this reason, the participant requests prices from several brokers/dealers, and there is no expectation that the dealer chosen will owe the participant a duty to obtain the best price available. LNEL will therefore, unless advised otherwise, consider its clients (in the wholesale fixed income market) to be a sophisticated participant and will not be under a duty to provide best execution to such clients in that market.

2.3 Specific Client Instructions

All orders negotiated manually by a Liquidnet member through the Liquidnet Desktop application are executed pursuant to specific instructions from the client. By executing an order or part of such order following specific instructions from a client, pursuant to FCA rules and MiFID, LNEL satisfies its best execution obligations to that client.

For Supernatural and external only orders, Liquidnet will comply with the member’s or client’s specific instructions based on the strategy or other instructions designated by the member or client. In implementing any such strategy or other instructions Liquidnet will consider the execution factors and criteria described in Section 2.4 to the extent applicable.

2.4 Supernatural orders and orders to be executed in external markets - Execution factors and criteria

When clients provide LNEL with specific instructions for the execution of Supernatural orders and orders to be executed in external markets, LNEL will satisfy its best execution obligations when it executes the order or a specific aspect of such order pursuant to those instructions (see Section 2.3 above).

In executing client orders, LNEL will take into account the following factors in deciding where and how to execute the order, to the extent consistent with the specific strategy or other instructions provided by the client:

- price;
- costs;
- speed of execution and settlement;
- likelihood of execution and settlement;
- size of order;
- nature of order;
- any other consideration relevant to the execution of the order.

Price and costs will ordinarily have a high relative importance in obtaining the best possible result. However, for some clients, orders, financial instruments or markets, LNEL may determine that other execution factors are more important than price and costs in obtaining the best possible result.

In determining the importance of the above execution factors, LNEL will take into account the characteristics of:

- client client categorisation;
- the order (including the specific strategy or other instructions provided by the client);
- the financial instruments that are the subject of the order; and
- the execution venues to which the order can be directed.

2.5 Client Limit Orders

LNEL is required to obtain clients' express consent not to immediately make public (where LNEL would otherwise be required to do so under FCA rules) any of their client limit orders in respect of shares admitted to trading on an EEA regulated market which is not immediately executed under prevailing market conditions. If you do not wish LNEL to make public such limit orders please contact ComplianceLondon@Liquidnet.com.

2.6 Execution Venues

Subject to any specific instructions that may be given by clients, LNEL will take into account the execution factors and criteria (see Section 2.4 above) in selecting an execution venue for an order.

For orders where clients give LNEL a specific instruction as to the execution venue, LNEL will execute the order in accordance with those instructions. For orders pursuant to specific client instructions that do not include a specific instruction as to venue, LNEL will execute the orders on the external liquidity pool that LNEL believes will obtain the best possible result for the execution of the order and include information on the different execution venues where Liquidnet executes its client orders.

2.7 Monitoring and Review

LNEL will monitor compliance with its Order Execution Policy and will regularly review the effectiveness of its order execution arrangements. LNEL will notify clients of any material changes to its order execution arrangements and Order Execution Policy.

2.8 Consent

LNEL is required to obtain clients' prior consent to its Order Execution Policy. You will be deemed to provide such consent when you submit an order.

For an instrument admitted to trading on a regulated market or MTF, LNEL is required to obtain clients' express consent before executing an order in such instrument outside of a regulated market or MTF.

3 TRADE REPORTING

When LNEL executes a trade and such transaction is required to be made public pursuant to MiFID and the relevant rules of the FCA and other relevant EEA authorities, LNEL will arrange to make public the information regarding that trade as close to real-time as possible and in accordance with the applicable rules of the FCA and, if applicable, other relevant EEA regulatory authorities and exchanges. This undertaking by LNEL applies only to those regulated markets in which LNEL currently trades.

4 TRANSACTION REPORTING

When LNEL executes a trade and such transaction is required to be reported to the FCA or other relevant authority pursuant to MiFID and the relevant rules of the FCA and, if applicable, other relevant EEA authorities, LNEL will arrange to report the information regarding the transaction as quickly as possible, and no later than the close of the following working day. LNEL has identified the LSE as the Approved Reporting Mechanism which LNEL will use for its transaction reporting to the FCA for transactions it executes for clients. This undertaking by LNEL applies only to those regulated markets in which LNEL currently trade.

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