

MTS BONDSPRO

Trading Rules

EFFECTIVE AS OF DECEMBER 20, 2019



Background

MTS BondsPro is an Alternative Trading System (“ATS”) owned and operated by MTS Markets International, Inc. (“MMI”), a broker dealer regulated by FINRA and the U.S. Securities and Exchange Commission (“SEC”). The following are the Trading Rules of the ATS and may be amended from time to time at the absolute discretion of MMI. These trading rules include annexes that provide details of the application process (Annex I) as well as guidelines on subscriber practices on the ATS (Annex II).

Participation Criteria

Participation on the ATS is open to any entity regulated by a federal functional regulatory agency such as the SEC, a self - regulatory organization (SRO) such as FINRA, the Commodity Futures Trading Commission (the “CFTC”), the Federal Reserve (the “Fed”) or comparable foreign regulators. Participation on the ATS is also open to any entity that meets the definition of a qualified institutional buyer (“QIB”) under Rule 144A of the Securities Act of 1933 (the “Securities Act”) or an accredited investor under Rule 501 of Regulation D of the Securities Act (excluding natural persons). Participants must have appropriate facilities in place to allow them to settle trades using the relevant settlement system indicated by MMI from time to time. Once given approval to use the ATS by MMI, participants may act as liquidity providers or liquidity takers.

Types of Activity

MMI recognizes two types of user activity:

- Providing liquidity - A user posts orders to the system, in turn allowing other users to act upon the orders to consummate a transaction.
- Taking liquidity, or “aggressing” - A user acts upon (aggresses) an order on the system in order to consummate a transaction.

Identification of Authorized Users

Each Authorized User shall be identified to MMI, in the manner prescribed by the Trading Rules or as indicated by MMI. Each individual must use a unique user ID to access the ATS. In no event may a person enter an Order or permit the entry of an Order by an individual using a user ID other than the individual’s own unique user ID.

Hours of Operation

The ATS is open from 7:00 p.m. EST to 5:00 p.m. EST (the following business day), Sunday evening through Friday. MMI will publish a yearly trading calendar on its website before the beginning of each calendar year. MMI will follow the SIFMA suggested holiday schedule for early closings and when the ATS will be closed, except where exceptions exist because global markets are open. In such cases the ATS will remain open until closing of the global market.

Securities Eligible for Trading

The securities which are available for trading on the ATS are comprised of US and non-US, corporate and government, fixed income securities. Eligible securities are securities that can be cleared and settled by the relevant settlement system to be indicated from time to time by MMI. MMI will review and approve all securities for trading on the ATS. The securities approved by MMI for trading will be made available on the ATS.

Notices to Subscribers

MMI will publish a notice with respect to any changes to the Trading Rules on MMI's website or by means of an electronic mail to all Subscribers.

Information Regarding Orders

MMI will make information regarding Orders (including prices bid or offered), Trades and any other matters it may deem appropriate available to Subscribers and the public at such times and in such manner (whether through the ATS, a financial information service, or otherwise) as it may consider necessary or advisable from time to time. Unless the Subscriber has opted otherwise for specific purposes, such information will be provided in a manner that does not reveal the identity of the Subscribers involved. Each Subscriber or Authorized User receiving any such information through MMI shall not redistribute such information unless expressly authorized in writing by MMI.

Trading Configurations

All Subscribers and Authorized Users are responsible for understanding the capabilities, configurations and Order details of the ATS and are bound by all configurations and details of every Order.

Order Types

An Order is an indication of interest to buy or sell a security on the system. All Orders are "limit Orders". There is no concept of a "market Order" on the ATS. All Orders must be physically acted upon by a liquidity taker in Order for an execution to occur. The ATS recognizes the following Order types:

- Buy Order - An indication of interest to buy a specified quantity of an underlying security at a specified price.
- Sell Order - An indication of interest to sell a specified quantity of an underlying security at a specified price.
- Firm Orders – An Order generated by the user who would like to execute at that price without further confirmation. When a firm Order is engaged by a liquidity taker, an execution occurs immediately at that price level.
- All or None - A limit Order that is to be executed in its entirety or not at all - the entire quantity of the Order must be agreed upon by the liquidity taker or the liquidity provider's Order will not be executed.
- Subject Order – A subject Order is generated with a security, size and price level at which the user would be interested in executing a trade. When another user wishes to trade with a subject Order, they engage that Order within the system, after which the user who posted the subject Order must then confirm that they wish to execute the trade. If the liquidity provider does not agree to the trade at that point, the Order is not executed.

Order Priority

Once an Order is submitted it will reside in the limit Order book within the ATS. Orders for each specific security will be ranked based on the following priorities:

- The highest priced Order to buy (or lowest priced Order to sell) shall have priority over all other Orders to buy (or Orders sell)
- When more than one Order for a specific security has the same price, the Order that was first entered into the system will be given priority at that price up to the size specified in that Order.
- In the event that less than the full size of the Order is executed, the unexecuted balance of the Order shall retain priority at that price.
- Note: Priority shall mean that the orders will be represented at the top of the Order Book. Liquidity takers may, however, execute away from the highest priced order to buy (or lowest priced order to sell) if they so desire.

Trading Flow

A binding trade occurs on the ATS when two Authorized Users agree in terms to act accordingly as buyer and seller of a given security. Depending on user preferences and configurations, either MMI may act as counterparty to both buyer and seller in a riskless principal capacity, or the users may settle with each other bilaterally.

Those Subscribers that are Broker Dealers that represent orders on behalf of their customers can have those specific orders interact with each other if they so choose via pre-certification and approval by MMI. This would result in Broker Dealer Subscriber having two customers in the same trade on the ATS; one as buyer and one as seller. In this instance MMI will act in an agency capacity for each Order. If the BD Subscriber submits a resting order (liquidity provider) to the ATS, that resting order is represented in the central limit order book and can be acted upon by any other Subscriber on the system.

Order Submission

An Authorized User must provide the following information at the time of submitting an Order: (i) CUSIP, ISIN or ticker, coupon, maturity, and series; (ii) side; (iii) Size (Nominal); and (iv) Price/Yield.

Clearly Erroneous Trades and Trade Cancellations

A Trade will be deemed clearly erroneous if an Order is executed at a price that is substantially away from or inconsistent with the market for that security at the time of execution, and/or the terms of the trade reasonably appear to be entered in error under the circumstances. Any Authorized User that has an Order executed by means of the ATS which they perceive to be clearly erroneous must request a cancellation from MMI by telephone, or by an electronic means which is acknowledged by the recipient, within 15 minutes of the execution in question. Once a request is made, MMI will review all relevant factors and components of the Trade to determine if it is indeed clearly erroneous. The decision will be made in the interest of maintaining a fair and orderly market and will be made solely by MMI in its discretion. If the Trade is deemed clearly erroneous by MMI, the trade will be cancelled.

When MMI is acting as riskless principal or as agent, not only the trade with the party requesting the cancellation will be cancelled, but also the opposite trade executed by MMI with the counterparty for the same (CUSIP or ticker and size) securities.

Erroneous Trade as Determined by MMI

In addition to allowing a user to request a cancellation for an alleged erroneous trade as described above, MMI may also review an execution that may be erroneous if MMI determines, in its sole discretion, that circumstances warrant such a review. Should MMI determine a trade is erroneous, MMI can cancel such trade and when it is acting in a riskless principal or agent capacity, cancel the opposite trade executed by MMI with counterparty for the same (CUSIP or ticker and size) securities.

Trade Cancellation and Suspension of Securities

MMI may cancel any Trade in its absolute discretion for any reason, including but not limited to a failure of one party to a Trade to deliver securities or the relevant consideration as part of the clearance and settlement of a Trade; provided, that MMI will use commercially reasonable efforts to promptly notify Subscriber of the cancellation of such Transaction. In particular, before the settlement of both the buyer and seller legs of the Trade, MMI may, in its sole discretion, cancel any transaction and Trade that may have adverse effect on or may cause a disruption in the market (including the ATS). Additionally, MMI reserves the right to suspend trading in any security it believes could possibly be disruptive to a fair and orderly market or at the request of an SRO or a government agency. MMI reserves the right to make all such determinations. The actions identified above can also be triggered by a request of counterparty in case of cancellation or of a user in case of a request to suspend a security.

Trade Cancellations Due to a Force Majeure Event

Without limitation to the rights of MMI discussed above, MMI may in its absolute discretion cancel any Trade, before the settlement of both the buyer and seller legs of the trade, in case of a force majeure event takes place affecting MMI, the ATS and/or any Subscriber. For the purpose of this paragraph, a “force majeure event” is deemed to include riots, acts of war, terrorism, flooding, earthquakes, fire, strikes, disruptive events impacting other trading platforms (such as prolonged suspension of trading or events affecting the correct price formation of securities) and the consequences thereof.

Adjustment and Cancellation of Trades

MMI may in its absolute discretion, adjust trade prices or cancel Trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the ATS. MMI may adjust trade prices or cancel a Trade if it determines that allowing the Trade to stand as executed may have a material adverse effect on the integrity of the market.

Resolution by Agreement of the Parties to the Trade

With MMI's prior written approval, the parties to a Trade that is under review may agree to cancel or otherwise adjust the price or size of a Trade.

Trading Pauses and Halts

MMI may in its absolute discretion, pause trading in any security or restrict the trading by any Subscriber or Authorized User at any time in its reasonable discretion.

Annex I

Application Process and Fees

Application Process

Any party that desires to become a Subscriber to the ATS must: (i) execute the Subscriber Agreement; (ii) agree to abide by the ATS's trading rules ("Trading Rules") and applicable state and federal laws in the United States ("Applicable Law"); and (iii) complete all documentation requested of the Subscriber by MMI as part of MMI's customer identification and know your customer screening processes. MMI may require a party to provide additional information as part of the application process. MMI will verify the accuracy of the information submitted by the applicant. If MMI decides to admit a party as a Subscriber, it shall promptly notify the party and state in such notice the date on which the applicant will become a Subscriber.

Subscriber Fees

MMI shall have the authority to set the amounts and times of payment for any fees to be paid by Subscribers. Each Subscriber agrees to pay such fees as are published by MMI in an Appendix to the Subscriber Agreement, as amended from time to time on the MMI website, or as otherwise agreed between MMI and the Subscriber. Subscriber agrees to pay such fees when due. If a Subscriber fails to pay when due any such fees levied on such Subscriber, and such payment obligation remains unsatisfied for thirty (30) days after its due date, MMI may, as it deems necessary or appropriate, suspend, revoke, limit, condition, restrict or qualify the Subscriber's access to the ATS.

Subscribers and Authorized Users

Participants on the ATS will become subscribers (each a "Subscriber") upon executing a subscriber agreement with MMI ("Subscriber Agreement"). Subscribers authorize their personnel (such personnel are "Authorized Users") to submit Orders directly to the ATS through various third party order management systems or a FIX connection or any other facilities which may be available from time to time and approved by MMI.

Annex II

Subscriber Practices

Subscriber Trading Privileges

Admission as a Subscriber or an Authorized User entitles the Subscriber or the Authorized User to use the ATS and does not confer any right of ownership in MMI, or any right to share in the profits of MMI. A Subscriber or an Authorized User may not transfer or assign its status as a Subscriber or an Authorized User without the prior written consent of MMI. Any purported transfer or assignment without MMI's prior written consent shall be null and void and shall not be binding on MMI. All rights and privileges of a Subscriber or an Authorized User shall terminate upon the termination of the Subscriber Agreement.

Communications with Subscribers

Each Subscriber must provide MMI with its current electronic mail address and telephone number and the electronic mail address and telephone number of all of its Authorized Users. Subscribers must promptly advise MMI of any changes to such information. All communications between MMI and the Subscriber will be transmitted by electronic mail, posted on MMI's website, or via other methods of communication that provide a record, as agreed to by the parties. Subscribers are responsible for conveying such communications to all Authorized Users. Subscribers are responsible for promptly reviewing and, if necessary, responding to all electronic communications from MMI. All communications with Subscribers will be deemed to have been made to all Authorized Users of such Subscriber.

By becoming a Subscriber and by accessing the ATS, entering any order (each an "Order") into the ATS, and without the need for any further action, undertaking or agreement, a Subscriber and its Authorized Users:

- Agree to be bound by and comply with the Trading Rules and Applicable Law;
- Agree to be subject to the jurisdiction of MMI with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person;
- Agree to assist MMI in complying with its legal and regulatory obligations, and to cooperate with MMI, the SEC, and FINRA in any inquiry, investigation, audit, examination or proceeding related to its use of the ATS; and
- Authorize MMI to provide information regarding the Subscriber's use of the ATS to any Self-Regulatory Organization ("SRO") in Order for the MMI to comply with its legal or regulatory obligations.

Any Subscriber or Authorized User whose access to the ATS is revoked or terminated, shall remain subject to: (i) the Trading Rules, (ii) the jurisdiction of MMI, and (iii) Applicable Law, each with respect to any and all matters arising from, related to, or in connection with the status, actions or omissions of such Subscriber prior to such revocation or termination.

Trading by Authorized Users

Subscribers shall designate in writing one or more Authorized Users who will be responsible for the Subscriber's trading conducted through the ATS. By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User and to be subject to, and comply with, MMI's Trading Rules. Authorized Users shall have the authority to: (i) adjust or withdraw any Order submitted under any user ID assigned to him or her; and (ii) to ensure that any Orders submitted to the ATS under the user ID assigned to him or her comply with all Trading Rules.

Subscribers must follow MMI's procedures to designate an Authorized User and meet the criteria established by MMI. MMI will promptly notify a Subscriber by electronic mail of the approval of designated Authorized Users or if MMI declines the application of an Authorized User. Subscribers and MMI will maintain a list of all Authorized Users associated with a Subscriber.

MMI may, in its reasonable discretion, revoke or suspend the designation of an individual as an Authorized User and shall promptly notify the Subscriber of such action. Subscribers may request the termination of an Authorized User's status by sending an email to MMI at the following email address: **techops@mtsmarkets.com**

Declined and Terminated Subscribers

MMI may in its absolute discretion deny, condition or terminate a Subscriber or any Authorized User. If MMI declines an application for admission as a Subscriber, or terminates a Subscriber or an Authorized User's access to the ATS, MMI shall promptly notify such person in writing or via email.

Termination of Subscriber Status

To terminate Subscriber access to the ATS, the Subscriber must notify MMI pursuant to the requirements of the Trading Rules. Upon receipt of a Subscriber's written request to terminate Subscriber status, Subscriber's access to the ATS will be terminated. As soon as reasonably practicable after withdrawing access, MMI will confirm that such access has been withdrawn.

Upon termination of a Subscriber's access to the ATS, all rights and privileges of such Subscriber and all associated Authorized Users shall be terminated. The termination of the Subscriber's access will not affect the rights of MMI under the Subscriber Agreement or

relieve the former Subscriber of its: (i) obligations under the Trading Rules, or (ii) its obligations to pay all MMI fees, costs and charges incurred prior to the termination.

Use of Authorized User IDs by Third Parties

No Subscriber will allow any of its Customers to access the ATS directly using the Subscriber's Authorized User ID or the IDs of any Authorized Users. All Orders and quotes must be entered into the ATS by an Authorized User of a Subscriber. The Subscriber is responsible for any and all Orders and quotes entered into the ATS by any of its Authorized Users.

Duties and Responsibilities of Subscribers

Each Subscriber shall (and shall cause all of its Authorized Users to):

- Use the ATS in a responsible manner and not for any improper purpose;
- Conduct all Transactions a manner consistent with the Trading Rules;
- Comply with the Trading Rules;
- Keep the Authorized User IDs, account numbers and passwords related to the ATS confidential;
- Promptly inform MMI in writing of any material change to the information provided by the Subscriber to MMI;
- Have in place and enforce suitable anti-money laundering compliance policies and procedures;
- Not knowingly mislead or conceal any material fact or matter in any dealing or filing with MMI or in response to any MMI request for information; and
- Maintain complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to Applicable Law or the Trading Rules, for at least five (5) years.

Supervision

Subscribers shall, when trading on the system comply with all Trading Rules and all Applicable Laws. Subscriber shall assume liability for the actions of all such Authorized Users.

Required Disclosures to MMI

Subscribers shall promptly notify MMI on becoming aware of any of the following events:

- Any material change to the contact information provided to MMI;
- Any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Subscriber used by the Subscriber to effect transactions pursuant to the Trading

Rules or to timely perform the Subscriber's financial obligations under or in connection with the use of the ATS;

- Any refusal of admission to, or withdrawal by the Subscriber of any application for membership in, any SRO;
- Any expulsion, suspension or fine (whether through an adverse determination, voluntary settlement or otherwise) imposed on the Subscriber by any SRO;
- Any denial or withdrawal of any application for any registration or license by or from any Governmental Agency, and any revocation, suspension or conditioning of any registration or license granted by any Governmental Agency;
- The commencement of any material judicial or administrative proceeding against the Subscriber or the imposition of any fine, cease and desist Order, denial of trading privileges, censure or other sanction or remedy imposed by any Governmental Agency;
- Any indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Subscriber or any of its principals or senior officers for any felony or misdemeanor involving, arising from or related to, the purchase or sale of any security, commodity, futures contract, option, securities futures product, swap, security-based swap, mixed swap or other financial instrument, or involving or arising from fraud or moral turpitude;
- The Subscriber becoming the subject of a petition for bankruptcy;
- The appointment of a receiver, trustee or administrator for the Subscriber;
- The presentment of a petition, or the passing of a resolution, for the winding -up of the Subscriber;
- The commencement of proceedings for the dissolution of the Subscriber; or
- The occurrence of an event of insolvency with respect to the Subscriber.

Recordkeeping Requirements

Each Authorized User entering Orders into the ATS shall input for each Order: (i) the Authorized User ID assigned to him/her by MMI; (ii) the Legal Entity Identifier of the Subscriber if applicable; (iii) the product, direction, quantity, price or yield, maturity date; and (iv) any other information MMI may, from time to time, request the Authorized User to provide.



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