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A Plain English Guide to Executions in POSIT®

As part of ITG's commitment to providing execution transparency on behalf of our clients, we publicly released the Form ATS (Alternative Trading System) for POSIT® on May 1st, 2014. Our Form ATS has been on file with the Securities and Exchange Commission since May 1999, following the implementation of Regulation ATS.

The guide below answers some frequently asked questions about executions in the U.S. version of POSIT in a less technical format than the Form ATS itself.

For the past 27 years, POSIT has been a trusted trading venue that helps protect our institutional clients in the U.S. from signaling their trading intentions, lowers trading costs through meaningful price improvement, and provides protection from potentially "toxic" liquidity. POSIT provides an agency-only crossing solution for our clients to anonymously source quality liquidity while minimizing market impact.

As always, we welcome dialogue with our clients. If you have questions about the Form ATS or the information below, please feel free to contact your ITG Account Executive or call us at 1-212-444-6100.

Who may execute orders in POSIT and how do they do so?

Institutional investors and broker dealers that are ITG clients are eligible to become POSIT subscribers. Subscribers can enter orders via ITG's Triton® EMS, ITG OMS, ITG's agency trading desk or any certified FIX connection. Orders can be submitted either as Day Orders or IOC (Immediate or Cancel) Orders. Any exchange-listed security, and some of the more liquid OTC Bulletin Board securities, can be traded in POSIT.

How does POSIT matching work?

While POSIT was originally established with scheduled (point-in-time) crossing in 1987, today it runs on a continuous crossing basis during regular U.S. trading hours. However, POSIT also retains the capability to run scheduled matches, pre-market VWAP matches, after-hours matches, and Power matches for large block-size orders.



POSIT does not operate on price/time priority. It matches orders using price-size *pro rata* matching logic while seeking to cross orders at the midpoint of the NBBO (National Best Bid or Offer), thereby providing price improvement for all of the subscribers involved in a match. If an order is passively priced, POSIT will attempt to cross the order against orders marked by the client as aggressive. Aggressive orders will be executed against passively priced orders only after exhausting all NBBO midpoint crossing opportunities.

POSIT prices trades using the NBBO as reflected by the Securities Information Processors (SIP). ITG makes an informed decision about market data feeds. Currently POSIT uses the SIP, in conjunction with the Liquidity Guard anti-gaming technology (discussed below), to provide superior execution quality to our clients.

How does POSIT protect execution quality?

ITG employs real-time anti-gaming technology – called Liquidity Guard – that helps prevent and detect gaming behaviors in order to help ensure quality execution for POSIT subscribers. Liquidity Guard has two components: Prevention, which is built into POSIT's matching logic and proactively prevents certain matches to avoid inferior executions (adverse selection), and Detection, which methodically analyzes just-completed trades and flags any outliers so the POSIT team can examine them further. Both components of Liquidity Guard are frequently refined to prevent any new gaming strategies.

POSIT subscribers may opt to place a constraint on their future orders to prevent matches with counterparties based on historical execution quality. However, all POSIT executions are made on an anonymous basis and ITG does not disclose the identities of POSIT subscribers to each other or to anyone outside of the POSIT support team.

What is POSIT Alert®?

POSIT Alert® is an indications matching functionality that notifies interested parties of a block-size trading opportunity in POSIT. Only buy-side institutions that meet minimum order size thresholds are permitted to use POSIT Alert functionality. If a potential match exists, a POSIT Alert subscriber will receive an Alert. Then, the notified parties must each submit an order to POSIT for the match to occur. Alerts reflect only stock symbol and transaction side and do not reveal order size or price. The average trade size using POSIT Alert in 1Q14 was approximately 35,000 shares. Participation in POSIT Alert is voluntary and subscribers may decline to respond to Alert messages.

What is AlterNet Securities and how does it interact in POSIT?

AlterNet Securities is an ITG-affiliated broker-dealer that may submit orders to POSIT for the sole purpose of facilitating trades for broker-dealer clients on a riskless principal and/or net trading basis. AlterNet only serves sell-side (broker-dealer) clients and is not permitted to use POSIT Alert functionality. Broker-dealer clients of AlterNet opt to receive an execution price inclusive of an agreed upon commission. The net execution price is always within the NBBO and includes potential price improvement.



Neither ITG nor AlterNet engage in any of the following activities: 1) proprietary trading; 2) market making; 3) capital commitment, and/or 4) establishing directional positions.

How do ITG Smart Router™ and ITG Algorithms® interact with POSIT?

Both ITG Smart Router™ and ITG Algorithms® interact with POSIT with the objective of achieving best execution. Orders submitted directly to ITG Smart Router look for matching liquidity in POSIT immediately on arrival. If the match does not occur immediately, ITG Smart Router does not search for subsequent matching opportunities in POSIT and the order is worked on external execution venues only.

ITG Algorithms access and provide POSIT liquidity depending on algorithm type and client instructions.

ITG Algorithm order routing information is available to clients in real time through ITG Algorithms Prism. ITG also makes all executing venue and related information available in FIX and end-of-day execution reports sent to clients. Clients can opt out of interacting with POSIT (or any other non-exchange execution venue) when using ITG Smart Router and/or ITG Algorithms.

Does POSIT utilize Indications of Interest (IOIs)?

Apart from the Alerts generated by POSIT Alert (described above), which are communicated only to subscribers who have been notified of a potential POSIT Alert match, ITG does not communicate any IOIs based on client orders submitted directly to POSIT.

Separate from orders submitted directly to POSIT, certain client orders are received by ITG with a “not held instruction,” whereby the client instructs ITG to employ price and time discretion in order to secure best execution. With these “not held” orders, ITG may use a wide variety of strategies to seek liquidity, including the selective use of IOIs to exchanges. This encourages inbound marketable exchange flow into POSIT, which in turn produces additional price improvement opportunities for clients. The exchanges are prohibited from disclosing these IOIs to any external parties and they may only use such information in accordance with SEC regulations. These IOIs are considered non-actionable as they reflect only stock symbol and transaction side and do not reveal order size or price. ITG clients have the ability to opt out of these non-actionable IOIs.

How are trades in POSIT reported?

Subscribers receiving executions are automatically notified of such “fills” or “partial fills” by the POSIT system. If a Day Order expires without being fully or partially filled, the subscriber submitting that order receives a “nothing done” report. All orders matched by POSIT are reported in real time to the appropriate Trade Reporting Facility (TRF) in accordance with applicable regulations.



Who can see orders submitted to POSIT?

ITG restricts access to POSIT subscriber order data to relevant support staff and client services personnel. In addition, ITG's agency trading desk, which is comprised of registered brokers that execute client orders solely on an agency basis, have limited access to aggregated POSIT activity for the client accounts that they service.

ITG employs a thorough internal approval process before granting access to client order information. It should be noted that, in accordance with ITG's policies and procedures, access to client order information is closely monitored and evaluated on a regular basis.

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