



VANTAGE CAPITAL MARKETS LLP

SUPPLEMENT TO TERMS OF BUSINESS: OTF RULES

These provisions relate to the operation of our OTF and form the rules of our OTF (the **Rules**).

In addition to these provisions, the provisions in our Terms of Business apply to our operation of the OTF and are incorporated by reference into them.

1. Scope of the OTF

- 1.1 We operate an organised trading facility (**OTF**) in respect of Total Return Swaps (TRS), Equity Derivative Exotics and Fixed Income Bonds (**the OTF Investments**).
- 1.2 Any person who we have accepted as a client of the OTF may submit orders to the OTF. The eligibility criteria on which we assess prospective clients of the OTF are set out below.
- 1.3 The only instruments that can be entered into through our OTF are the OTF Investments. We decide which investments can be traded through the OTF based on a number of criteria including:
 - a) our ability to enter into such transactions;
 - b) whether, in our view, there is sufficient liquidity to trade them through our OTF;
 - c) whether a sufficient number of participants have arrangements in place to settle transactions with one another;
 - d) whether there is sufficient information in the public domain about the terms of the OTF investments and how to value them and (where applicable) their underlying asset and how to determine their price;
 - e) where the process of price discovery involves multilateral communications between VCM and potential counterparties that are in place of, or additional to, telephone communications conducted on a bilateral basis between VCM and potential counterparties; and
 - f) where they are derivatives, the fact that they are not required to be cleared through a central counterparty.
- 1.4 You can find information about the OTF Investments in our Best Execution Policy. Please also note the risk warnings relevant to OTF Investments set out in that document.

2. Eligibility

To be eligible to use the OTF you must have been accepted by us as a client and you must not be a natural person or a retail client (as defined in Article 4(1)(12) of MiFID II), and you must satisfy us that you have met and will continue to meet the following requirements:

- a) either:
 - (i) you are a UK or EEA-regulated investment firm or credit institution (each as defined in MiFID II); or
 - (ii) you have satisfied and will continue to satisfy us, as required, that you are fit and proper to use the OTF, with adequate organisational arrangements in place and a sufficient level of trading ability and competence; and



- (iii) you have agreed to comply, and will continue to comply, with the Rules, the Terms of Business and Applicable Law when using our OTF and otherwise in connection with it;
- (iv) you have the legal capacity to trade in OTF Investments on the OTF;
- (v) you have appropriate arrangements for the orderly settlement of transactions in OTF Investments;
- (vi) you have all registrations, authorisations, approvals and/or consents required by Applicable Law in connection with trading in OTF Investments on the OTF;
- (vii) you have designated to us one or more Responsible Persons;
- (viii) you and your Responsible Persons have adequate experience, knowledge and competence to transact in OTF Investments;
- (ix) you have adequate internal controls that are reasonably designed to promote fair and orderly trading on the OTF, minimise trading errors, preserve the integrity and stability of the OTF and prevent breaches of the Rules and of Applicable Law including Market Abuse and money laundering; and
- (x) you agree to meet such other objective and non-discriminatory criteria as we may reasonably specify from time to time.

3. Suspension or Termination

- 3.1 We may, in our sole and absolute discretion, suspend, impose conditions on or terminate your ability to access the OTF in the following circumstances:
- (a) you and/or any of your Responsible Persons is in breach of the Rules, the Terms of Business, or Applicable Law;
 - (b) you have failed to pay any dues, assessments or fees due to us within thirty (30) calendar days of the date of the applicable invoice;
 - (c) your Insolvency;
 - (d) you no longer meet the eligibility criteria for admission as a Member;
 - (e) in the event of an Emergency;
 - (f) such action is, in our reasonable opinion, necessary to preserve the security or integrity of the OTF and/or to protect its users; or
 - (g) for any other reason specified in these Rules.
- 3.2 You may cease to be a client of the OTF by giving us not less than 5 business days' notice in writing that you no longer wish your orders in OTF Investments to be executed through the OTF. Unless you tell us otherwise, we will execute orders for OTF Investments received after the date we specify as being the effective date for such purposes otherwise than through the OTF. If you terminate your Terms of Business, these Rules will cease to apply at the same time and you will no longer be a client of the OTF.
- 3.3 From the time that your suspension or termination is effective:
- (a) all rights and privileges terminate, including the ability of your Responsible Persons to access the OTF;



- (b) you must immediately withdraw all unmatched orders submitted by you and your Responsible Persons, failing which we shall promptly cancel such unmatched orders;
- (c) you will remain liable for:
 - (i) any contractual obligations relating to any OTF Investments entered into by you and your Responsible Persons;
 - (ii) the payment of any fees, costs, or charges incurred prior to such suspension or termination;
 - (iii) you and your Responsible Persons' acts done, and omissions made, before the effective date of suspension or termination; and
 - (iv) you and your Responsible Persons must comply with any reasonable requests for information from us in relation to your period as a client of the OTF; and
 - (v) any other consequences specified in these Rules may apply.

4. Operation of the OTF

- 4.1 When you give us an order to buy or sell an OTF investment, we will exercise our discretion as to whether to execute some or all of it through our OTF or by other means (**Order Discretion**), in accordance with our OTF Policy. We may submit some or all of your order to more than one execution venue including the OTF. However, if you have specified that you want us to execute some or all of the order through the OTF, we will treat that as a specific instruction and do so. These Rules apply where the order is executed through the OTF, from the point at which your order is submitted to the OTF. Otherwise, the Terms of Business apply.
- 4.2 Where we execute your order through the OTF, we will exercise discretion by deciding whether, when and how much of your order to match with another order and on what terms at a given time (**Execution Discretion**). We exercise this discretion on a case by case basis taking into account a number of factors that are set out in our OTF Policy, including the trading interests in the system and the different execution mechanisms that are available. The execution mechanisms could include voice trading and/or use of an electronic system to help us to match orders. If you give us a specific instruction about how to execute the order, we will follow it if we can to the extent of the instruction, but we will exercise our discretion as to any parameters of the order that you have not specified. You agree to us exercising our discretion in accordance with the OTF Policy.
- 4.3 We will also exercise our discretion by deciding whether to retract some or all of your order from the OTF. We may do this if, for example, your order has been executed on another execution venue to which we submitted it or we believe a more favourable outcome would be achieved by executing some or all of your order on another execution venue. If we do this, these Rules will cease to apply once the order has been withdrawn from the OTF and our Terms of Business will apply instead.
- 4.4 For name give-up transactions, once the price, volume and terms have been agreed, we will confirm those details, disclose the counterparties' names and step away from the transaction. We will not ourselves be party to the transaction and you will settle the transaction directly between yourselves. If, for any reason, you or your counterparty does not settle a transaction, you must report this to us immediately. Depending on the reasons, we may consider this to be a breach of our OTF Rules. In order to settle, you will transfer cash or investments directly to your counterparty or the bank or custody account which they specify. We will not submit transactions entered into through the OTF to a central counterparty for clearing but you may agree with your counterparty to do so. You will settle transactions in accordance with the rules and procedures of any relevant clearing or settlement systems you may use. Your obligations may also include an obligation to exchange margin with your counterparty in accordance with Applicable Law, in which case, the terms will be agreed in separate documentation.



- 4.5 You are responsible for compliance with all Applicable Laws in relation to transactions entered into through the OTF.

5. Systems and controls, fair and orderly trading

- 5.1 We will take orders from you by phone or electronically and we will negotiate with you and others by phone and/or electronically, as circumstances require.
- 5.2 You will comply with our conditions for using electronic order submission. We may require you to undertake conformance testing prior to deployment of, or of a substantial update of, access to the OTF system or your trading system or trading strategy to ensure that your systems comply with our conditions for using electronic access. We may require you to use our facilities for this purpose.
- 5.3 You may not use an algorithm to submit messages to the OTF.
- 5.4 If you pursue a market making strategy (as defined in MiFID II) on the OTF, you may be required to enter into a Market Making Agreement with us.
- 5.5 You will not provide direct electronic access (as defined in MiFID II) to the OTF to any person.
- 5.6 We may impose limits on the volume of or OTF investments you can enter into through the OTF, and/or price at which you can do so, and we will reject orders that exceed such thresholds and/or which are clearly erroneous.
- 5.7 You will not engage in any behaviour which amounts to Market Abuse (including insider dealing and market manipulation), money laundering, bribery or corruption, fraud or which is in breach of any similar Applicable Law and, which in our reasonable opinion, would be likely to have a material adverse effect on your suitability to use the OTF;
- 5.8 We may halt or constrain trading in an OTF investment if there is a significant price movement in that investment on the OTF during a short period. We may also cancel, vary or correct a transaction that has been formed on the OTF in exceptional circumstances.
- 5.9 We may take any action we reasonably consider appropriate in relation to any issues we identify in our trading system and we may adjust, wind down or shut down the trading system if we reasonably consider it to be necessary to do so.
- 5.10 You will synchronise the business clocks you use to record the date and time of any reportable event in accordance with MiFID II.
- 5.11 You agree to comply with any procedures we may impose for physical and electronic security of our system, access to it and the data that passes through it and will take all reasonable steps to ensure that others acting on your behalf do so. In particular, you will notify us of the individuals who are authorised to act on your behalf and any changes from time to time and they will use any passwords and other user IDs that we may provide. You will be responsible for any activity that occurs pursuant to a password or user ID that relates to you.

6. Monitoring

- 6.1 We will monitor orders, cancellations and transactions to identify infringements, disorderly trading and conduct that may indicate Market Abuse or systems disruptions.
- 6.2 We have arrangements in place to prevent disorderly trading and breaches of capacity limits including limits on the number of orders you may send to the OTF, mechanisms to manage volatility and pre- and post-trade controls. You agree that we may:
- (a) request information about your organisational requirements and trading controls;



- (b) suspend your access to the trading system at our or your request or the request of a competent authority;
- (c) cancel unexecuted orders you have submitted on your request, where there appears to be an error or following a suspension;
- (d) cancel or revoke a transaction in case of malfunction of the OTF's mechanisms to manage volatility or the operational functions of the trading system;
- (e) balance entrance of orders among different gateways in order to avoid collapses.

Our policies and arrangements in respect of these matters and others are on our website.

- 6.3 If we consider that you have failed to comply with any of our Rules, we may undertake an investigation to determine whether our concern is well founded. You will cooperate with any such investigation and provide such information as we may request. If we conclude that you have failed to comply, we may suspend or terminate your access to the OTF.
- 6.4 We are required to notify the FCA of any significant breaches of our Rules or disorderly trading conditions or conduct that may indicate Market Abuse, to supply them and any other relevant authority with information and to assist them in investigating and prosecuting the same. You agree to cooperate with us for such purpose.
- 6.5 We may suspend or cease trading of a particular OTF investment through the OTF if it no longer complies with the Rules and any derivative that relates to or is referenced to it, unless such suspension or cessation would be likely to cause significant damage to the interests of our clients or the orderly functioning of the market. We will make public any decision to suspend or cease trading on our website, as well as notifying the FCA.
- 6.6 We may also, in certain circumstances, be required by the FCA to suspend or remove trading of a particular OTF investment or any derivative that relates to or is referenced to it, to halt or constrain trading or to take other action that might affect your normal activity on the OTF.

7. Conduct obligations

- 7.1 If we have categorised you as a professional client, we have a duty to take all sufficient steps to obtain the best possible result for you. In this case, when we exercise our Order Discretion, we will act in accordance with our Execution Policy, for which the OTF will be an execution venue. Where we exercise our Execution Discretion, our OTF Policy will supplement our Execution Policy such that, if there is a conflict between them, we will exercise our discretion in accordance with our OTF Policy, which has also been designed to achieve the best possible result. We will publish information about the quality of execution of transactions on our website in accordance with MiFID II.
- 7.2 We may combine your order with our own orders, orders of persons connected with us and orders of other clients. Such aggregation may on some occasions operate to your advantage and on other occasions to your disadvantage.
- 7.3 For the avoidance of doubt, we execute transactions on an execution only basis and do not provide advice on OTF investments. We do not assess whether the orders you give us would result in transactions that are suitable. Given that you are not a retail client, nor do we assess whether the transactions are appropriate for you. Therefore, you do not benefit from the protection of FCA Rules on these issues.
- 7.4 The provisions on conflicts of interest in our Terms of Business apply to the operation of the OTF. Our Conflicts Policy sets out how we identify and manage potential adverse consequences for you and others using the OTF, and for the OTF itself, of potential conflicts of interest. In particular, you should



note that additional conflicts could arise when we execute your order through the OTF for the following reasons:

- (a) we are the operator of the OTF and we charge our clients for execution of transactions through it – we could therefore be incentivised to use our OTF over another execution venue, although we will follow our Execution Policy in making this decision;
- (b) we treat each of the other users of our OTF as a client and owe them the same or similar obligations as we owe to you – we may therefore be limited as to how favourable a transaction we can achieve for each of you and this is why we will exercise our discretion as to whether to retract an order from the OTF;
- (c) by exercising discretion as to whether to submit an order to, or retract it from, the OTF, and how to match an order within the OTF, we are necessarily making a subjective judgement about what the best transaction looks like for you – and this is why we will follow our OTF Execution Policy, as well as our overriding duty to act in your best interests.

7.5 The costs and charges of using the OTF are as set out on the website. When we execute a transaction on the OTF with or for you, we charge both parties to the transaction in accordance with this information. The OTF service can be provided without any other services we provide or alongside such other services as you prefer, and the costs and charges in each case are set out on the website.

7.6 You agree that all telephone and other conversations which we may have with you and electronic communications between you and us may be recorded and such recordings may be monitored. A copy of a recording can be made available to you on your request for up to five years, and on the FCA's request for up to seven years, in each case from the date of the conversation. The recordings may also be used as evidence in the event of a dispute and such recordings will be accepted by you as conclusive evidence of instructions received from you.

7.7 We will provide you reports confirming details of transactions executed through the OTF in accordance with our Terms of Business.

7.8 You will provide us with such information as we may reasonably require in order to comply with our obligations under Applicable Law in relation to the transactions we enter into with you. You agree that we may provide any information you provide to us or we generate in connection with your use of the OTF to the FCA or any other regulator to which we are required to provide it in accordance with Applicable Law.

8. Transparency and transaction reporting

8.1 We are required to publish pre-trade transparency information about orders submitted to the OTF by certain clients subject to any waivers we might have. Details of the waivers that we have been granted are set out on the website.

8.2 We are also required to publish post-trade transparency information about transactions entered into on the OTF subject to any rights to defer or limit publication. Details of the deferrals we have been granted are set out on the website.

8.3 However, we may publish pre- and post-trade transparency information about orders even where we are not obliged to do so.

8.4 Transparency information is published through the website and/or our approved publication arrangement (APA) provider, TRAX.

8.5 We will report transactions we enter into with or for you to the FCA if you are not subject to the obligation to report transactions under MiFIR. In order for us to do this, we require you to provide certain information to us before midday on the working day following execution. The information we



need is set out on our website. If we identify that we have made an error or omission in a transaction report or we have failed to make a transaction report, we may notify the relevant competent authority and submit or re-submit it without consulting you.

- 8.6 We will not report transactions for you for any other reason so investment firms that are required to report will need to report themselves or use an ARM. You must notify us if you require any information to enable you to make your transaction reports.
- 8.7 We may not be permitted to execute a transaction for you unless we have your legal entity identifier code and this remains valid.
- 8.8 We may enter into contractual relationships with third party service providers to transmit transaction reporting and transparency information to the relevant competent authority and the market and may transmit such information through an ARM or APA or CTP or another provider.

9. Definitions

- 9.1 **Applicable Law** means, with respect to any Person, any statute, law, regulation, rule or guidance of any Regulatory Authority applicable to such Person, including, but not limited to, FSMA and the FCA Handbook and, to the extent applicable to such Person, similar foreign laws or regulations.
- 9.2 **Business Day** means any day on which the OTF is open for trading.
- 9.3 **Emergency** means any occurrence or circumstance which threatens or may threaten such matters as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any OTF Investments, or the timely collection and payment of funds in connection with clearing and settlement of an OTF Investment, and which, in our reasonable opinion, requires immediate action, including: any potential Market Abuse or otherwise abusive behaviour; any circumstances which may materially affect the performance of OTF Investments, including failure of the payment system or your bankruptcy or insolvency or that of any other Person; any action taken by any Regulatory Authority or any other market, facility or system which may have a direct impact on trading on the OTF or clearing or settlement of an OTF Investment; and any other circumstance which may have a severe, adverse effect upon the functioning of us or the OTF.
- 9.4 **FCA** means the UK Financial Conduct Authority, and any successor thereto.
- 9.5 **FCA Handbook** means the FCA's rules and guidance, as amended from time to time.
- 9.6 **FSMA** means the UK Financial Services and Markets Act 2000.
- 9.7 **Insolvency** means, in respect of a Person: (i) that an order is made by a court of competent jurisdiction, or a resolution is passed, for the liquidation, bankruptcy or administration of the Person or a notice of appointment of a bankruptcy trustee or administrator of the Person is filed with a court of competent jurisdiction; (ii) the appointment of a manager, receiver, administrative receiver, administrator, trustee or other similar officer of the Person or in respect of any part or any of its assets; (iii) the Person convenes a meeting of its creditors generally or makes or proposes any arrangement or composition with, or any assignment for the benefit of, its creditors generally (otherwise than in the course of a reorganisation or restructuring previously approved in writing by the Person); (iv) the Person is unable to pay its debts as they become due or admits in writing its inability to pay its debts as they are due; (v) a petition is presented for the winding up of the Person, provided that Insolvency shall not be deemed to have occurred due to the filing of a winding-up petition which is discharged, stayed or dismissed within thirty (30) days of commencement; or (vi) any action occurs in respect of the Person in any jurisdiction which is analogous to any of those set out in sub-paragraphs (i) through (v).



- 9.8 **Market Abuse** means the offences of insider dealing and market manipulation as set out in Articles 8 and 12 respectively of Regulation 596/2014/EU of the European Parliament and of the Council of 16 April 2014 on market abuse.
- 9.9 **MiFID II** means the Directive of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments amending Directives 2002/92/EC and 2011/61/EU.
- 9.10 **OTF** means a discretionary electronic, voice and other trading system provided by us for the trading of financial instruments that constitutes an "organised trading facility" as defined in Article 4(1)(15) of MiFID and the operation of which is subject to regulation by the FCA.
- 9.11 **OTF Investment** means a financial instrument listed by us for trading on the OTF.
- 9.12 **Person** means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.
- 9.13 **Regulatory Authority** means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity with authority or jurisdiction over the trading of, or Persons engaged in the trading of, OTF Investments listed for trading on the OTF.
- 9.14 **Responsible Person** means any individual which acts on your behalf with respect to your use of the OTF and is not limited to those of whom you have notified us pursuant to paragraph 2(f).
- 9.15 **Rules** means these Rules of our OTF as amended from time to time.
- 9.16 **Terms of Business** means our Terms of Business (available at www.vcmllp.com), as amended from time to time.