

## **TP ICAP (US) Broking Practices**

This summary is intended to provide to clients of TP ICAP an overview of certain practices employed by TP ICAP in its provision of broking services (“Broking Practices”). It is not intended to be an exhaustive summary of all practices. TP ICAP believes that its own long-term commercial interests, as well as the interests of its clients and the marketplace, are best served when clients understand key aspects of how TP ICAP provides its services. TP ICAP encourages its clients to familiarize themselves with these practices, to ask TP ICAP any questions they have about these or other practices, and, more generally, to maintain a regular and open dialogue with TP ICAP regarding their expectations and preferences with regard to how TP ICAP provides its services.

### **Scope**

The Broking Practices described in this document address TP ICAP’s provision of broking services in its wholly-owned businesses in the United States (except for tpSEF Inc. and ICAP Global Derivatives Ltd. (“IGDL”)),<sup>1</sup> with regard to the provision of voice and/or electronic brokerage of securities, futures, commodities, swaps, and currencies.

Many of TP ICAP’s brokerage activities are regulated and/or are conducted in entities subject to regulation. As a result, there are many laws, regulations, and self-regulatory organization (“SRO”) rules that may govern TP ICAP’s conduct of its activities and its treatment of its clients, including those of the SEC, FINRA, the CFTC, the NFA, and numerous exchanges (such legal, regulatory, and SRO requirements, collectively, “Regulatory Requirements”). These Broking Practices are designed to be consistent with Regulatory Requirements, where applicable, and to address issues that are not the subject of Regulatory Requirements.

Given the breadth and diversity of TP ICAP’s brokerage activities, these Broking Practices necessarily reflect general practices that, as indicated herein, may vary for certain activities and/or products. TP ICAP encourages its clients to inquire and familiarize themselves with the specific practices associated with particular activities and products in which they are interested. In addition, in instances where TP ICAP and a client have contractually agreed to particular arrangements and understandings (“Contractual Commitments”), these Broking Practices do not modify or supersede such Contractual Commitments, and, in the event of and to the extent that any conflict, such Contractual Commitments shall govern.

### **The Role of TP ICAP**

TP ICAP offers to its clients the provision of brokerage services whereby TP ICAP acts as an intermediary (on a principal or agency basis) or arranger of transactions. In this capacity, TP ICAP seeks to facilitate the agreement between and among principals of mutually acceptable terms upon which to consummate a transaction. TP ICAP has a diverse client base though its client mix will vary by product. Across its businesses, TP ICAP provides broking services to broker-dealers,

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<sup>1</sup> tpSEF Inc. operates pursuant to a tpSEF Rule Book, and IGDL operates pursuant to an IGDL Rule Book.

banks, and a range of institutional investors and/or other sophisticated institutional wholesale market participants. TP ICAP strives to add value to its clients by (i) improving price discovery and transparency, (ii) enhancing liquidity, (iii) facilitating information flow, and (iv) providing a degree of anonymity and confidentiality appropriate to each marketplace.

TP ICAP does not serve as a fiduciary to its clients. In addition, in the absence of a contrary Regulatory Requirement, when a client employs TP ICAP to provide certain broking services TP ICAP does not act exclusively for the benefit of that client. This is because in its role in sourcing liquidity for its clients and facilitating trades TP ICAP will necessarily be working with multiple clients whose interests may very well be in conflict as to the outcome of a particular potential transaction (*i.e.*, in simplest terms, both the potential seller and potential buyer are clients of TP ICAP, but each would like the transaction to occur at the price most favorable to them, as is true when clients deal directly with each other). TP ICAP strives to balance the interests and expectations of multiple participants involved in or contemplating a particular transaction, as well as to act in a manner that furthers the interests of all participants in the maintenance of a liquid, transparent, and active marketplace on an ongoing basis, but may not always meet the precise criteria of any particular participant.

While TP ICAP will necessarily be required to exercise its judgment in this regard when appropriate, it will seek to do so in a consistent and neutral fashion. Because TP ICAP's clients may also utilize comparable brokerage services offered by TP ICAP's competitors, TP ICAP understands and fully expects that its long-term commercial viability and growth will be determined by the success with which it balances these interests in a manner that its clients regard as fair, efficient, transparent, and predictable.

Unless otherwise explicitly agreed, you are held to not have relied on TP ICAP to determine the appropriateness of the product, its features and risk to your portfolio. Additionally, you should independently verify all aspects of the product you buy/sell – for example, price, quantity, yield, rating, distribution or offering rights (for bonds) and call and put rights. For stock sales, you should also be aware of dividend and ex-dates and should be independently aware of correct price adjustments due to these events.

### Capacities in which TP ICAP Acts

TP ICAP provides brokerage services in three capacities, depending upon the nature of the particular product – the titles of each capacity are descriptive and clients may use different descriptions for each capacity or parts of each capacity:

1. **“Exchange Give-Up” Capacity.** For certain products, TP ICAP facilitates the trading activity of its client on an exchange or trading facility. Upon receiving the relevant price information from TP ICAP, the client will instruct TP ICAP to place an order, and TP ICAP will place the order on an exchange through its membership or participant rights, or via a third-party for execution on an exchange. Once the execution has occurred, the executed position is then “given up” to the client or client's clearing member through the clearing services at the exchange clearing house. Commonly, futures transactions will be governed by an industry standard “give-up” agreement. A derivation of this business

model is where trades are matched (where prior negotiation between parties can occur) and then crossed on an exchange or execution facility and the clients settle through a central counterparty, or trades are arranged between two clients on a bilateral basis (where prior negotiation between parties can occur) and then the trade is registered on the exchange and the clients settle through a central counterparty. TP ICAP may also route for execution and/or act as an executing broker for orders in certain securities products, and then introduce such executions to a clearing firm for settlement and clearance pursuant to a fully disclosed clearing agreement.

2. **“Name Passing” Capacity.** For certain products, TP ICAP acts in a “name passing” capacity, whereby it connects buyers and sellers and may assist in the negotiation of the price and other material terms of the transaction. At the point at which the parties agree to terms, TP ICAP will disclose the clients’ names and leave the buyer and the seller to clear and settle directly with one another through the appropriate market mechanism. TP ICAP is not a party to the resulting transaction, nor does it act as an agent for any party to the transaction.
3. **“Matched Principal” Capacity.** For certain products, TP ICAP acts in the capacity of a “matched or riskless principal” whereby it acts as a “middleman” or intermediary by serving as the counterparty for identified buyers and sellers in matching, in whole or in part, back-to-back trades. TP ICAP acts as principal, and not your agent, when it acts in a matched principal capacity.

#### Circumstances Under Which TP ICAP May Act as Principal and its Handling of Any Resulting Positions

The TP ICAP Group is lead regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom. The FCA imposes certain important restrictions on the types of broking activity that TP ICAP can undertake, including a prohibition on the deliberate assumption of any form of trading-book market risk. In order to meet these restrictions, TP ICAP is not willing to accept any form of proprietary trading (*i.e.*, the deliberate assumption of trading-book market risk with a view to profiting from movement in the markets of one or more financial instruments).

However, TP ICAP may and does from time to time, when conducting broking activity, incur inadvertent principal positions on its balance sheet (“out trades”). The incurring of such positions is not to be considered normal practice and are only tolerated on an infrequent and irregular basis under limited circumstances. For example:

1. Error.
2. Miscommunication with client.
3. Client “calling-off” a transaction – *i.e.*, a client refusing to honor a client firm order communicated to TP ICAP.

Any such positions must be immediately escalated in accordance with TP ICAP's escalation framework, and closed out at the earliest available opportunity, irrespective of whether a position is in- or out-of-the-money. Brokers are prohibited from "running" such a position to take advantage of an anticipated move in the market price of the instrument (even where such an anticipated price move would reduce the amount of loss to be incurred on the position). By way of exception:

1. **Inability to Close-out** – In the event that it is not possible to close-out a position immediately (whether due to market illiquidity or an operational issue, such as systems failure), brokers may off-set the associated market risk by entering into an appropriate hedging transaction, if available, in accordance with internal policies.
2. **Preventing Client Disadvantage** – In the event that an out trade is significant in size relative to the relevant market, and that, as a result, closing the out trade may result in material disadvantage to one or more clients, TP ICAP may decide to close the trade over a period of time to reduce the impact on the market and clients in accordance with internal policies.

TP ICAP seeks to liquidate or hedge such positions as soon as reasonably practicable by accessing any appropriate and available market, or, subject to applicable Regulatory Requirements, to find a counterparty that will execute at a particular level using commercially reasonable efforts. While TP ICAP seeks to do this in a manner that minimizes disruption to the marketplace and respects the trading priority protocols typically employed for a particular product (see "Price Discovery and Trading Priority," below), TP ICAP may, where not contrary to Regulatory Requirements, depart from these protocols, typically in more illiquid markets, and prioritize the liquidation, hedging or counterparty substitution of its own position over expressions of interest from clients. However, in doing so, TP ICAP will necessarily execute another client's order in the course of closing any such position, at what it reasonably believes is an appropriate market level.

#### Price Discovery and Trading Priority

**Electronic Marketplaces.** For electronic marketplaces, the price discovery process takes place through information posted on electronic screens. For hybrid marketplaces that permit clients to transact either with a voice broker and/or through the electronic system, the price discovery process may take place through information posted on electronic screens and/or via voice, as described below.

**Voice Brokered Marketplaces.** In voice brokered marketplaces, price discovery is generally done by voice over dedicated telephone lines and/or through electronic price dissemination screens and/or other electronic communication tools. In certain situations, TP ICAP will seek to find the other side to a transaction based on a firm request from a client that specifies some or all of the trade parameters that the client is interested in transacting in (*i.e.*, price, counterparty credit, full or partial transaction size). In other situations, TP ICAP may be asked or expected to work a contingent order, whereby it is understood and expected that, in facilitating the client's transaction, TP ICAP may adjust the contingent order to reflect changes in the price of, or shifts in the curves relating to, underlying instruments or indices with which the instrument(s) that is the subject of the order correlate.

TP ICAP's voice fixed income business is typically conducted through over-the-counter (OTC) bilateral trades where the parties negotiate trades or through the placement of an order for execution on an electronic screen or platform. In the instances where a client places an outright order to purchase or sell a fixed income security, any such order that is sent to a TP ICAP broking desk is understood by TPICAP to have been placed by the client for execution by that TP ICAP broking desk. For certain products and in certain situations, including, but not limited to fixed income securities, a TP ICAP desk may, in its own discretion, seek out price discovery from other TP ICAP desks, and, on an arms-length basis, seek out price discovery from competing wholesale market brokers in order to facilitate a client's trading interest. For certain transactions in on-the-run U.S. treasury securities, TP ICAP seeks liquidity from other U.S. treasury security wholesale market brokers as part of its regular business.

For certain products and order types, applicable Regulatory Requirements may dictate the manner and priority of execution. For other products and order types, and in markets where clients do not submit executable orders, but rather indications of interest, TP ICAP does not take on any obligation to satisfy any client's interest in whole or in part, regardless of the time, price, size or other terms of the client's order or indication, and regardless of whether such order or indication could have been satisfied. For example:

- On many trades, TP ICAP is necessarily working with multiple clients whose interests may differ as to price and volume, and there may be more interest in a particular transaction than can be satisfied by the volume of interest on the other side of that transaction.
- On certain client initiated outright or multi-leg combination government securities trades (referred to hereafter as a "Strategy"), a client may ask the Desk to try to execute a transaction at a particular spread between the price [yield] of different instruments (or in the case of an outright trade, at a specified price [yield]) (the "Target Level"). If the TP ICAP desk accepts the order, the desk, while working other client orders, may go into the market in an effort to accumulate an instrument within the Target Level in TP ICAP's own account and subsequently trade the instrument versus the initiating client's account in order to execute the Strategy, and will earn a profit if its actual execution level is more favorable than the Target Level.

It is thus frequently the case that the circumstances around a particular trade make TP ICAP unable to accommodate the interests of each of its clients to their full satisfaction. Subject to applicable Regulatory Requirements, TP ICAP reserves the right in its discretion to determine how to prioritize allocations of executions.

However, TP ICAP recognizes that the long-term viability of its marketplaces depends upon its clients' confidence that the actual prioritization and satisfaction of indications and orders occur in a manner that is efficient, fair and predictable, and that encourages continued participation in the marketplace. As such, TP ICAP's voice brokered marketplaces operate pursuant to general market practices that address issues such as the entitlements of the aggressor (*e.g.*, the "price taker") with regard to counteroffers, the prioritization of clients responding to an aggressor, the ability of clients to join existing bids or offers, time/price/size prioritization, and the ability of clients to participate in a trade. These practices may vary from product to product, and they have been developed and

refined over time based on the expectations and preferences of the clients who participate in a particular marketplace. While TP ICAP reserves the right without prior notice to depart from typical protocols in any and all situations, its normal interest and intent is to employ those practices on a regular and consistent basis.

TP ICAP encourages its clients to familiarize themselves with the typical priority practices utilized in a particular marketplace, and to raise any questions they may have in that regard.

### SEF transactions

Swap transactions arranged by TP ICAP's introducing brokers for SEF execution are not executed until they have been submitted and executed on a SEF.

### How TP ICAP is Compensated

TP ICAP is primarily compensated for its role in facilitating and consummating transactions by charging a brokerage fee. In "Exchange Give-Up" and "Name Passing" marketplaces, the fee will typically take the form of an invoiced commission. In "Matched Principal" marketplaces, the fee will typically take the form of a markup or markdown, which is added to or subtracted from, as the case may be, the agreed-to transaction price.

For certain products, a brokerage fee is paid by both participants in the trade. For other products, the brokerage fee is paid by one of the participants in the trade. Sometimes the participant that pays will be the aggressor (*e.g.*, the "price taker"), and sometimes it will be the passive party (*e.g.*, the "price maker").

In certain cases, the brokerage fee paid to TP ICAP may, with client approval, deviate from the normal rate due to the level of service provided (*e.g.*, facilitating a particularly difficult trade).

On certain client initiated multi-leg combination trades or outright government securities transactions (Strategies), TP ICAP may go into the market in an effort to accumulate securities within a certain Target Level in TP ICAP's own account and subsequently trade the securities versus the initiating client's account in order to execute a Strategy, and, in doing so, TP ICAP may charge a markup or markdown which may be up to but not exceed the difference between the actual execution level in TP ICAP's account and the Target Level. In doing so, TP ICAP may earn a profit if its actual execution level is more favorable than the target Spread Level.

TP ICAP may receive revenue from other means as well. As described earlier, TP ICAP may acquire positions as a result of out trades, and, in connection with doing so and in managing and liquidating such positions, it may earn a profit or loss. As noted, TP ICAP does not engage in such activities with the intent to make a profit, and expects the net result of any such activities will be modest gains or losses.

In addition, in certain fixed income markets, where not contrary to Regulatory Requirements, TP ICAP may, when acting in a "matched principal" capacity, earn a profit by buying a financial instrument at one price and simultaneously or shortly thereafter selling it at a higher price (or vice

versa), such that TP ICAP receives the benefit of the “spread” on the trade, in addition to any markup or markdown it charges. This includes, but is not limited to, certain multi-leg spread transactions where TP ICAP may act as matched principal to each leg of the underlying securities transactions and charge a markup or markdown on one leg and also receive the benefit of a “spread” on the other leg.

From time to time, TP ICAP may receive or share compensation or revenue for directing or executing order flow in certain securities or commodities.

#### Extent of Anonymity or Disclosure

As a general matter, TP ICAP seeks to operate each of its different product marketplaces in an anonymous fashion. TP ICAP believes that, as a general matter, liquidity and transparency in the marketplace are best served by maintenance of confidentiality and anonymity.

In “matched principal” marketplaces, TP ICAP generally seeks to employ reasonable efforts to maintain the confidentiality and anonymity of the identity of clients involved in or contemplating participating in a transaction. Similarly, in “name passing” markets, TP ICAP seeks to employ reasonable efforts to maintain anonymity during the pre-matching period, and, during the post-trade period, it will generally disclose the identity of a client participating in a trade only to the other participants in that trade. In addition to its efforts to maintain confidentiality and anonymity, TP ICAP asks that its clients respect and honor this level of confidentiality and anonymity by not seeking or requesting information that may not be shared.

TP ICAP encourages its clients to familiarize themselves with the confidentiality and anonymity standards applicable to particular marketplaces they participate in, to raise any questions they may have in that regard, and to express their views and preferences to TP ICAP so that TP ICAP can continue to maintain a marketplace that meets the evolving needs and expectations of its participants.

#### Publication of Off Screen Trades

For certain products, TP ICAP provides both voice brokerage and electronic brokerage services (“hybrid markets”). In hybrid markets, when a transaction is consummated with a voice broker, TP ICAP is able to publish a record of transactions that occur at price increments on the screen that is utilized for electronic brokerage of that product so that it is made available to other participants in the marketplace. In the absence of a request from its client to not publish the transaction, TP ICAP’s intention is to publish the record of such transactions on its electronic screen. (All transactions executed in TP ICAP’s fully electronic marketplaces are automatically recorded on screen.) In certain markets, participants may trade off-screen at a price that is between the minimum price increment that is traded on the screen (*e.g.*, a mid-market price), and such transactions would not be reflected on screen.

TP ICAP recognizes that its clients may in certain situations prefer that such transactions not be published on the screen, and, when requested to refrain from such publication, TP ICAP will seek to honor its client’s request to the extent practicable, and to the extent that other participants in the

trade agree to the request. In such situations, information regarding these transactions will not be posted on the screen, nor included in any market data feed compiled and supplied by TP ICAP, but TP ICAP will upon request provide oral information regarding the occurrence of the transactions and its terms. TP ICAP believes that in most circumstances the marketplace is best served when trades conducted through voice brokers are published on screen, and encourages its clients to support this view of the market.

#### Provision of Indicative Valuations

From time to time, in response to client requests or on its own initiative, TP ICAP may provide or publish information expressing a view of an indicative valuation of particular financial instruments. These indicative valuations reflect TP ICAP's good faith view as to a reasonable indication for that particular instrument, assuming an institutional market, round lot trade sizes, and the absence of unusual market conditions (*i.e.*, distressed selling).

TP ICAP brokers may at times use professional judgment to update prices in certain indicative screens based on the perceived relationships between prices. This may be due to the fact that there are a lot of data points on the curve, and the ratio of bids, offers or trades to data points is very low. TP ICAP brokers are required to assert sound judgment during such circumstances. When in doubt and/or when external price movements cannot be evidenced, TP ICAP will not update the screen.

TP ICAP does not accept liability for the completeness or accuracy of any such indicative valuations, nor does TP ICAP represent that parties would or will be able to transact at the levels indicated. All such valuations are subject to any disclosure and disclaimer language that accompanies them and TP ICAP's then prevailing terms of use for such data, if any. TP ICAP will typically provide such valuations based on prices from an internal pricing system, the transactional activity that it participates in, and/or transactional activity that takes place away from TP ICAP if TP ICAP reasonably believes it to have occurred.

#### Volume Matching Sessions

Volume Matching Sessions ("Sessions") are timed trading sessions where transactions occur at levels set by the TP ICAP desk that are meant to maximize participation by buyers and sellers. TP ICAP desks conduct Sessions throughout the day based on a set schedule and/or at ad hoc times at the discretion of TP ICAP upon the request of one or more clients.

#### Establishing the Level in a Volume Matching Session

TP ICAP desks use their best efforts to maintain a process to set levels for Sessions that is both consistent and predictable. Although the process varies for each product, a desk may use any one or a combination of inputs at the discretion of the firm to determine the price level, including: pricing runs submitted by clients via email or Bloomberg; input from a cross-section of clients regarding current market levels; prices on TP ICAP broking screens; and/or other market information. Once the desk has set a level for a Session, the brokers on the desk may communicate the level to their clients and solicit additional feedback.



TP ICAP reserves the right to move the levels initially communicated to clients as follows:

- The desk may move the level for Matchings based on client feedback. When determining whether to exercise this right, the desk may consider a variety of factors including, but not limited to the accuracy of prior feedback, market movements, and whether the feedback impacts the level of only one security (as opposed to feedback regarding a suite of securities).
- The desk may move the level, in its professional judgment, in order to account for market movements and transactions done away from the desk. This may occur if the desk is made aware that the level is no longer reflective of the market (or the level was not initially reflective of the market). However, any single bid, offer, or two-way quote may not necessarily change the level established by the desk. The desk reserves the right to only update the screens when a bid or offer is better than the current levels on the screen.
- Furthermore, the desk may recalculate levels in markets where prices, by the very nature of the markets being covered, can be episodic and non-continuous.

Clients are shown the matching level at the start of the Session, and may begin placing orders at that time. Clients will be able to see their own orders, but are not able to see whether or in what direction (buy or sell) there is interest at each price during the Matching. TP ICAP employees are able to see order flow for clients on the desk.

#### Distressed Debt – Rights Offerings and Distributions to Buyers

Clients are ultimately responsible for understanding the rights and obligations associated with any security they purchase or sell. From time to time, TP ICAP's clients may seek to purchase or sell bonds that are associated with participation or other distribution rights, such as a rights offering (together, "Distribution Rights"). A rights offering typically provides the existing holders of an issuer's security the opportunity to purchase a *pro rata* portion of an additional security (e.g., convertible notes) at a specific price, typically set at a discount to the market. Rights offerings by bond issuers are a valuable and increasingly used source of exit financing for Chapter 11 debtors, and also often accompany distressed bonds.

As an inter-dealer broker and intermediary, TP ICAP is not in a position to exercise Distribution Rights or otherwise transfer them to a buyer. Accordingly, clients are solely responsible for determining when Distribution Rights are available and making any arrangements necessary to exercise such rights.

#### Client Entertainment

TP ICAP competes in the marketplace based on the quality and price of the services it provides, and expects its clients to judge it by those criteria. TP ICAP views business entertainment with its clients as an opportunity, outside of the regular office setting, to discuss business and how to improve its services, to strengthen its business relationships with clients and TP ICAP's and its clients' mutual understanding of each other's business needs and concerns.

TP ICAP's entertainment policies are designed to facilitate compliance with applicable Regulatory Requirements as well as internal firm policies. These policies include requirements that TP ICAP representatives be present for all client entertainment, that entertainment not be excessive, overly frequent, lavish or inappropriate, and that the provision of entertainment may not serve as a quid pro quo for a client to transact with TP ICAP at all and/or on particular terms.

To the extent clients maintain internal entertainment policies and requirements, TP ICAP is not responsible for ensuring that clients' employees are in compliance with those policies and requirements when participating in entertainment events with TP ICAP employees.

#### Telephone Recording

TP ICAP, in its sole and absolute discretion, records, on tape or otherwise, telephone conversations between TP ICAP and clients and their respective agents and employees. Please note that these recordings may be made with or without the use of a spoken warning, tone, or similar notification.

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TP ICAP reserves the right to amend and depart from these Broking Practices at any time, and without prior notice. The Broking Practices herein are not intended to and do not create any contractual or other legal rights in or on behalf of any party.

TP ICAP would also like to remind clients of the importance of adhering to applicable laws, regulations, and rules when transacting through TP ICAP, including but not limited to, prohibitions on manipulative and anti-competitive activity, bribery and corruption, money laundering, conduct in violation of sanctions programs, and other illegal conduct. While TP ICAP encourages and welcomes constructive feedback on these Broking Practices, both as to their design and execution, they reflect the reasoned judgment of the firm and may not be changed or deviated from without prior careful consideration. Any efforts to pressure or coerce TP ICAP personnel, clients, or third-parties to deviate from these protocols, delay or refrain from timely reporting information, or otherwise engage in inappropriate conduct, should be immediately reported to TP ICAP's Compliance Department.