

MAKOR SECURITIES

ORGANISED TRADING FACILITY

Desk Procedure

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Contents

1. Definition of terms	3
2. This document	4
3. What is Makor OTF	4
4. Orders and execution	4
5. Order submission	4
6. Types of orders	4
7. Order execution	4
8. Order matching	5
9. Trader discretion	5
10. Transactions executed OTC	5
11. Timestamps and record keeping	6
12. Maintaining orderly trading	6
13. Market Abuse	6
14. Conflicts of Interest	7

Article I. Definition of terms

FCA	Financial Conduct Authority
FCA Handbook	the Handbook of Rules and Guidance of the FCA as amended and updated from time to time
Financial Instrument	has the meaning given to it in the FCA Handbook
GFD	Good for Day
OTF	Organised Trading Facility

Article II. This document

These Desk Procedures set out our approach to operating the Makor OTF. All Makor employees, in particular those who assist in the operation of Makor OTF, must comply with the principles and processes set out below.

Article III. What is Makor OTF

At Makor, we operate a trading venue which allows our clients who have signed up as participants to execute transactions in exotic derivative Financial Instruments. The trading venue has rules that all participants have to adhere to. Makor traders will match orders according to a clear matching logic and will only be able to exercise their discretion in limited circumstances.

As the operator of a trading venue, we must ensure the orderly trading on our market which includes preventing and detecting any incidents of market abuse. We must also identify all conflicts of interest we may face and adequately manage them.

This document is a guide to all members of staff who are involved in the operation of Makor OTF.

Article IV. Orders and execution

Article V. Order submission

Makor operates an OTF that arranges transactions in Financial Instruments by facilitating negotiations between our clients so as to bring together two or more potentially compatible trading interests in a transaction. We use voice, Bloomberg chat and email to exchange quotes between our clients who have an interest in buying or selling Financial Instruments (within the scope of Makor's FCA permissions).

All Makor traders are members of Bloomberg chat rooms with each OTF participant. These chat rooms are private to Makor and the participant in question. Participants will use them to submit requests for quote (RFQs) or provide quotes to Makor.

Makor will facilitate the exchange of these RFQs and quotes between OTF participants and facilitate negotiations between buying and selling interests.

Article VI. Types of orders

OTF participants may submit limit orders that are good of day (GFD). Such orders stipulate a maximum price and quantity at which they are prepared to transact. The order is good for day and will be cancelled at the end of the trading day unless it is previously cancelled by the OTF participant.

Article VII. Order execution

To achieve execution, the OTF participant who received the quote has to submit an order which Makor will pass on to the quoting OTF participant. Quotes must include bid and/or offer prices and the maximum volume which the OTF participant would be prepared to transact at. Once the quoting participant has confirmed execution, Makor will confirm to the OTF participant on the opposing side that the transaction has been executed at the agreed price and volume.

Article VIII. Order matching

Makor operates a model that matches best bid to best offer. Where there are two counterparties who have submitted the same bid or offer, we will normally prioritise the counterparty who made the first submission.

Following execution of the first transaction, one side may indicate interest in executing additional volume at the same price. It is Makor's practice to always grant "first look" to the client involved in the initial transaction, i.e. before disclosing the additional interest to other market participants the previously executing client will have the exclusive right to execute additional volume.

In summary, an order is matched based on the following priority:

- a. Best bid to best offer
- b. Time of the best bid or offer received by Makor
- c. For additional volume, "First look" granted to the initial counterparty.

Article IX. Trader discretion

As the operator of an OTF, we are permitted to exercise our discretion when matching client orders only in very limited circumstances. That means that traders should not normally divert from the matching logic as outlined above apart from the below case:

Sharing the size: From time to time, there may be more buying than selling interest or vice versa in relation to a product admitted to the OTF. Where there are numerous orders that represent the best bid or best offer, Makor's matching logic would result in the matching of the orders first received. Traders may instead ask OTF participants to share the size available. This means that the OTF participant who first submitted an order at best price agrees to share some of the executable volume with other OTF participants who submitted best price orders later.

Article X. Transactions executed OTC

OTF participants may instruct Makor, on an order-by-order basis, to seek execution over-the-counter (OTC) instead of under the rules of the OTF. Where we receive such a request we must follow a different procedure for executing the order.

If an OTF participant instructs execution of a trade on an OTC basis, we will not display the order to other OTF participants. Instead, Makor will sequentially approach individual clients and RFQ in relation to the Financial Instrument that is to be traded OTC. In its request for quote, Makor will inform the potential counterparty that the transaction is intended to be executed OTC instead of under the rules of Makor OTF.

Until Makor receives a response to the RFQ, we will continue to sequentially approach potential counterparties. Once a response to the RFQ has been received, Makor will communicate it to the initial client requesting an OTC execution and will facilitate a bilateral negotiation between both clients. If the negotiation leads to a transaction, we will assist in its settlement in the same way as for a transaction executed on the OTF, i.e. by acting as an agent.

The selling counterparty will be responsible for post-trade reporting through an APA of their choice.

Article XI. Timestamps and record keeping

The time of execution is the time when Makor has communicated to both sides of the trade. The time of Makor's confirmation to the second counterparty is the timestamp for the execution of the transaction. We will use the Bloomberg timestamp in the format HH:MM:SS as the official timestamp for the time of execution. Makor must confirm the exact timestamp in the order confirmation sent to both counterparties to the transaction.

Makor keeps appropriate records of all orders received via Bloomberg.

Article XII. Maintaining orderly trading

As the operator of a trading venue, Makor has a particular obligation to maintain orderly trading. Sudden substantial price movements could send misleading signals to the rest of the market and affect the price discovery process on other venues.

It is noted that given the nature of the Financial Instruments admitted to trading on Makor OTF are unlikely to be subject to sudden shifts in supply and demand. However, Makor traders must be vigilant and raise any incidents of sudden market movements with Senior Management and Compliance. Traders should also notify Senior Management and Compliance when they become aware that an underlying of a derivative Financial Instrument contract is suspended by an exchange (if relevant).

If Makor suspends one of the Financial Instruments admitted to our market or where we remove them from trading altogether, we must notify all OTF participants by publishing a notice on our website. Where Makor subsequently decides to lift the suspension of a Financial Instrument, we must also notify all OTF participants via our website.

For all of the above actions, Makor must also simultaneously notify the FCA of any such decision. This will be done by Compliance.

Article XIII. Market Abuse

In addition to ensuring orderly trading conditions on our market, Makor must also aim to prevent and monitor for potential cases of market abuse or insider dealing. Makor has in place a market abuse policy which is part of its Compliance manual. Makor's employees will also receive training on what might constitute suspicious behaviour. It is important that all traders immediately escalate to Compliance any concerns or suspicions they might have in relation to any behaviours they have observed in the market. This includes actions of Makor employees which can be raised under the Firm's whistle blowing policy.

In relation to Financial Instruments currently admitted to trading on Makor OTF, we have assessed the market abuse risk as low to medium-low. We have considered the following:

Insider Dealing: The Financial Instruments admitted to trading are currently derivatives in respect of which the underlyings are equities/baskets of equities. Given the large number of names and dilution in an index/basket, the risk of insider dealing by Makor's clients through an underlying listed index future or large basket of names is considered low. However, it is important for all member of staff to remain vigilant, especially when they may themselves hold inside information and escalate any instances of suspicion.

Market manipulation: There is the risk of OTF participants submitting orders that create a false or misleading impression in the market. Whilst counterparties will have their own views on the correct pricing of derivative Financial Instruments, we must be mindful of potentially misleading quotes that are designed to create artificial market moves.

Article XIV. Conflicts of Interest

As the operator of a trading venue, it is important that we identify and manage all potential or actual conflicts of interest. Makor has in place a Conflicts of Interest policy included in the Compliance manual. The key conflicts and how we manage them are set out below.

Fair access: We must not unfairly discriminate between firms who wish to become OTF participants, e.g. reject their application on the basis that they are one of our competitors. Makor has set out the criteria for participation in its rules. They are based on objective criteria.

Fair outcomes: OTF participants should be able to achieve the same outcomes as all other participants when submitting an order to Makor OTF. Makor ensures this by adhering to the matching logic described above under 'Order matching'. Makor retains the ability to use our discretion when matching orders on the OTF but may only do so in the circumstances as set out above under 'Trader discretion'.

Fair charges: Our fee structure must be fair and non-discriminatory. We must ensure that we do not create incentives to place, modify or cancel orders or to execute transactions in a way which contributes to disorderly trading conditions or market abuse. The same fee should be provided to all users of the same type of services based on objective criteria related to:

- the total volume traded, the numbers of trades or cumulated trading fees;
- the services or packages of services provided by us;
- the scope or field of use demanded; and
- the provision of liquidity for the purposes of Chapter 5A of the Market Conduct Sourcebook in the FCA Handbook or in a capacity of being a market maker as defined in the Glossary in the FCA Handbook.

Fair use of client information: OTF participants submit information to Makor on the understanding that it is used to find potential counterparties in a transaction. It is clear to Makor's clients that their RFQs and quotes are passed on to other OTF participants in an anonymised form. Clients may also share other information with us and traders must decide on a case-by-case basis whether this information can be shared. For example, clients might provide Makor traders with additional background to their buying and selling interest. This may be to give Makor more clarity on the client's objectives. To share this with other OTF participants may in some circumstances affect the price negotiation and may also breach the client's trust. If in doubt, Makor's employees should confirm with the client in question whether the information disclosed can be shared with third parties.

