

**TriAct Canada Marketplace LP
MATCHNow**

**CONFLICT OF INTEREST
POLICIES AND PROCEDURES**

**December 2017
Kuno Tucker CCO**

Contents:

- 1. Policy Purpose**
- 2. MATCHNow Introduction**
- 3. Regulatory Background**
- 4. Conflict Identification and Management**
- 5. Policy Accessibility**

1. Policy Purpose

The Purpose of this policy is to let clients and regulators alike know how MATCHNow identifies and addresses potential conflicts of interest, in order to best serve Subscribers to MATCHNow. This policy is available in the public domain:

<http://matchnow.ca/assets/MATCHNow-Conflicts-of-Interest-PP-December-2015.pdf>

2. Introduction to MATCHNow

ITG Canada Corp. (**ITG**) is an Investment Industry Regulatory Organization of Canada (**IIROC**) member that wholly owns TCM Corp., which is the General Partner of, and which has exclusive control over, TriAct Canada Marketplace LP, which has operated an alternative trading system, now doing business as MATCHNow, since 2007.

Separately, ITG also has a minority and passive ownership stake in Aequitas Innovations Inc. (**Aequitas**), which operates Canadian marketplaces.

ITG also has global affiliates that run brokerages and marketplaces globally, but they are not in scope as these firms' clients do not interact directly within MATCHNow.

Since ITG is a dealer with clients, ITG has conflicts of interest that it resolves by not preferencing MATCHNow or Aequitas marketplaces in its clients Smart Order Router (SOR), which in fact connects to all Canadian marketplaces, including marketplaces not protected by the Order Protection Rule, and connects all to destinations to provide its clients with Best Execution.

MATCHNow itself recognizes that potential or perceived conflicts of interest may have a negative effect on investor confidence, and as per National Instrument 21-101 (**NI 21-101**), this document serves to capture some of these potential conflicts of interest, and how they are addressed.

3. Regulatory Background

On July 1, 2012, NI 21-101 and its Companion Policy 21-101 (**21-101CP**) introduced a requirement for marketplaces to establish, maintain, and ensure compliance with policies and procedures that identify and manage conflicts of interest arising from the operation of the marketplace, or the services the marketplace provides.

MATCHNow does not provide inducements to ITG:

Specifically, subsection 7.8(2) of 21-101CP requires the following:

The marketplace's policies should also take into account conflicts for owners that are marketplace participants. These may include inducements to send order flow to the marketplace to obtain a larger ownership position or to use the marketplace to trade against their clients' order flow. These policies should be disclosed as provided in paragraph 10.1(e) of the Instrument.

MATCHNow does not provide any inducements to ITG, which is effectively the 100% beneficial owner of MATCHNow. Nor will MATCHNow offer any such inducements to any owners, should there be other future owners.

Trading Fees

ITG pays MATCHNow the standard MATCHNow Subscriber fees to trade on MATCHNow

Broker Preferencing

All marketplaces in Canada, including MATCHNow, offer a feature called "Broker Preferencing" which will match a broker's buy and sell orders if they are on either side of a trade and identical in price and volume.

MATCHNow does not offer Referral Arrangements

MATCHNow does not offer Referral Arrangements, as specified in National Instrument 31-103 (**NI 31-103**) Subsection 13.6 or elsewhere. ITG only gets paid by Subscribers and the financial terms are equal for all Subscribers.

Disclosure to Clients and Regulators

In addition, Part 10 of NI 21-101 requires public disclosure of these policies on the marketplace's website. The Companion Policy 21-101CP further suggests that potential or perceived conflicts of interest may arise from the following:

- situations related to the commercial interests of the marketplace
- the interest of the marketplaces owners or its operators
- referral arrangements
- the responsibilities and sound functioning of the marketplace

Furthermore, MATCHNow recognizes that conflicts may also arise as the result of business developments and/or regulatory changes. Consequently, these policies and procedures may be amended from time to time.

4. Conflict Identification and Management

MATCHNow treats seriously the management of all potential conflicts of interest. Consequently, MATCHNow operates its marketplace with an eye to maintaining a robust level of integrity. To do so, in keeping with NI 21-101, MATCHNow operates its marketplace in a fair, orderly and transparent manner, addressing the following principles discussed in greater detail below:

- Identify Conflicts
- Avoid or Address Conflicts of Interest
- Ownership: MATCHNow & ITG
- Supervision: Distinguish Commercial Activity from Regulatory Supervisory, Finance & Compliance
- Personal Dealings: Personal Trading, Outside Business Activities, Gifts & Entertainment

Identify Conflicts

Paramount to addressing conflicts of interest, is to properly identify situations which may create conflicts, and recognize that unforeseen situations may arise. In all cases, employees are advised to refer to MATCHNow's internal general conflicts policy.

Specific to operating a marketplace, owned by an IIROC brokerage firm member, here are some principles which govern conflict situation identification. In addition to specific procedures set out in the policy, MATCHNow manages conflicts of interest by reference to the following overarching principles:

- MATCHNow's priority is to provide a stable, fair and orderly market with transparency of rules and process. This aim must not be overridden by any commercial interests of either MATCHNow or its affiliates such as ITG.
- MATCHNow must make similar prioritization of the good for the marketplace and all Subscribers, over commercial interests of any affiliate owner, such as ITG, when making regulatory, finance, supervisory or compliance decisions.
- Staff, Directors and Subscribers of MATCHNow should similarly not attempt to inappropriately influence such decisions.
- Such decisions should also be in accordance with the letter and spirit of NI 21-101 and the MATCHNow Compliance & Supervisory Procedures.
- Staff, Directors and Subscribers of MATCHNow must maintain confidential MATCHNow Subscriber and trade information

Ownership

MATCHNow is, effectively, wholly owned by ITG, which is in turn owned by Investment Technology Group, a holding corporation which is publicly traded: (ITG: NYSE).

Fair Access and Pricing

Part 5 of NI 21-101 requires that a marketplace not unreasonably prohibit, condition or limit access by a person or company to its services. In order to maintain compliance with Part 5, all Subscribers and other clients are treated fairly by MATCHNow in the provision of services and the fees charged for such services. MATCHNow maintains awareness of the

applicability of Part 5 to its owners and ensures that no unfair or favorable treatment is given to them.

Physical Separation

MATCHNow maintains separate offices from ITG and its affiliates to ensure the confidentiality of the information regarding the identity and trading activity of Subscribers is maintained. Client-facing employees of MATCHNow, such as sales, support staff, etc., are dedicated to MATCHNow. System access controls ensure that only such MATCHNow staff, as well as the CFO & CCO for MATCHNow, have access to Subscriber information.

Affiliate Support Services

MATCHNow does rely upon non-client support from ITG affiliate staff for the following functions: Compliance, Finance, Development, Human Resources, Technology and Infrastructure. ITG uses a system called "Access Review Management System" ("ARMS") which ensures that only those who need to know can see MATCHNow information, and they are monitored to ensure no unauthorized access is granted. No front-facing client support, trading or sales staff in ITG have access to MATCHNow data.

Confidentiality procedures

All employees of MATCHNow are required to follow the confidentiality procedures set out in the MATCHNow Compliance & Supervisory Procedures. Compliance with these policies and procedures ensures that information is disclosed only on a "need to know" basis, and that Subscriber identity and trading information is released in accordance with Part 5 of NI 21-101.

ITG Trading for its own account

ITG is an IIROC Dealer Member and, as such, will trade both for clients and for its own account on a Principal basis. 21-101CP Subsections 7.8(1) and 2 and 12.1(4) require owners of marketplaces to manage any conflict that may arise from the owners' trading for their own account on a Principal basis. ITG might send such Principal orders to MATCHNow (wholly owned

by ITG) or Aequitas (minority owned by ITG), but ITG's Proprietary Arbitrage trading group does not have knowledge of client information when they trade on any marketplace, including MATCHNow. When the ITG Agency Trading desk trades as Principal to rectify an error, or facilitate a client trade request, it is fully disclosed to the client that ITG is trading as Principal.

ITG Trading for clients

ITG is an IIROC member firm, audited by IIROC, and must abide by Client Principal Trading requirements, and must give clients priority over trading as Principal, where the Principal trader is aware and the client has not given specific written consent to trade alongside the client order, as per UMIR 2.2

Supervision, Finance and Compliance Oversight

In order to preserve proper controls and oversight, MATCHNow has appropriate levels of oversight by means of a Supervisor, Compliance and an Ultimate Designated Person, as prescribed in NI 31-103. MATCHNow makes a clear distinction between Supervision by the business side and Compliance oversight from outside the business.

Supervision

The Supervisor is a business person who has the means and authority to supervise staff of MATCHNow from a regulatory perspective. The supervisor reports directly to the Chief Executive Officer (**CEO**).

UDP

The Ultimate Designated Person (**UDP**) is MATCHNow's CEO and has ultimate control and responsibility to ensure MATCHNow operates in accordance with good governance principles, including confidentiality of information, managing conflicts of interest, and upholding relevant rules and regulations inside MATCHNow.

Compliance

The Chief Compliance Officer (**CCO**) is charged with ensuring a proper governance structure and supervision are in place, and oversees the business from a detached view with a regulatory eye. The CCO must ensure compliance with IIROC UMIR and Dealer Member Rules, as well as applicable legislation. The CCO reports directly to the UDP on an ongoing basis, and files a compliance report to the UDP and the Board of MATCHNow annually.

The CCO is also the CCO for ITG, and this is fully disclosed to, and approved by, both IIROC and the OSC in the National Registration Database (**NRD**).

Finance

The Chief Financial Officer (**CFO**) is charged with ensuring proper financial controls and oversight, and oversees the business from a detached financial view. The CFO must ensure compliance with IIROC financial requirements, as well as applicable legislation. The CFO reports directly to the UDP, and reports all appropriate financial issues directly to the UDP and the Board of MATCHNow.

The CFO is also the CFO for ITG, and this is fully disclosed to, and approved by, both IIROC and the OSC in the NRD.

Personal Dealings

MATCHNow employees register personal dealings, which may have potential for a conflict of interest, through the compliance framework, which must be accepted by a Supervisor, to ensure all personal dealings which may pose a potential conflict of interest are identified and addressed, if not avoided. If the potential conflict is deemed material, and could result in damage to the interests of a Subscriber or the overall principles of NI 21-101, MATCHNow will take reasonable steps to resolve the conflict either by denying the activity, or properly mitigating the potential conflict. MATCHNow leverages an internal compliance system to register and address potential conflicts of interest. This includes:

PA

Personal Accounts (**PA**) are disclosed on the system, and PA Trading is pre-cleared by a Supervisor or Compliance. PA Trading is not permitted during market hours.

OBA

Outside Business Activities (**OBA**) include any activity, employment or directorship for which there is remuneration or potential interaction with a Subscriber which might be seen as a potential source of conflict. Many OBAs are permitted, assuming they are separate from MATCHNow and/or Subscriber activity, and done outside of MATCHNow hours and location.

Gifts & Entertainment

Entertainment of, or by, subscribers or vendors must not be excessive, or be seen to unduly influence any parties. Gifts received or given are logged on the system, and tracked and approved by the Supervisor to ensure they are only nominal in value and / or frequency. On an annual basis, no one person should receive more than \$500 in gifts. Any questions on this policy should be directed to the CCO.

5. Availability of MATCHNow's Conflict Management Policy and Procedure

This document is available to all employees and officers of MATCHNow. In accordance with NI 21-101 it is also found on the MATCHNow website at: <http://www.matchnow.ca/>

For any inquiries, please contact MATCHNow at support@matchnow.ca