BONDVISION U.S.

Trading Rules

EFFECTIVE 31ST JANUARY 2014

BondVision US is operated by MTS Markets International Inc. ("MMI").

MMI is a member of FINRA, SIPC

MTS

Type of Participants

Sell-Side: a participant that is configured to stream indicative or executable prices and can reply to incoming request for quotes with firm quotes. The Sell-Side participant retains the last look on executable prices streamed to Buy-Side participants. The Sell-Side participant shall be a broker dealer. Furthermore, a participant acting on the Sell-Side for a category of financial instruments cannot act on the Buy-Side for the same category of financial instruments.

Buy-Side: a participant that is configured to send request for quotes or hit/lift executable prices streamed by Sell-Side participants**.**

Type of Quotes - Sell-Side participants only

Indicative quotes

The Indicative quote is generated by a Sell-Side participant and published on the system and gives an indication of the level at which a bond can be traded. A Buy-Side client cannot hit/lift an indicative quote, but only generate a RFCQ.

Executable quotes

The Executable quote is generated by a Sell-Side participant and published on the system. A Buy-Side client can hit/lift an executable quote; however, the Sell-Side retains a last look and may decide not to trade at that level.

Firm quotes

The Firm quote is generated by a Sell-Side participant in reply to an incoming request for quote. The sell side sets the on-the-wire live quote time of the firm quote and during such time the Buy-Side can click-and-trade; the quote becomes subject once the on-the-wire live quote time expires. During the live on-the-wire quote time the Sell-Side doesn't retain a last look.

Type of Orders - Buy-Side participants only

Request for Competitive Quote (RFCQ)

A RFCQ is a request to quote a set of one or more products chosen among those that can be traded on the market. Only Buy-Side participants can send RFCQ and only Sell- Side participants can reply to RFCQs. A trade is generated when the Buy-Side participant hit-lift a firm quote or the Sell-Side confirms a subject quote. Both counterparties know each other identity pre-trade.

The following types of RFCQs are supported by the system:

- **Outright** if only one instrument is traded. It lasts up to 90 seconds (parameter).
- **Switch** if there are two legs (i.e. two traded instruments); the trader buys a bond and sells another bond – the two Tradable Instruments may be the same so to allow portfolio switches. It lasts up to 180 seconds (parameter).
- **Butterfly** if there are three legs; the trader buys a bond and sells the other two, or vice versa. The involved Tradable Instruments must be different one from the other. Butterfly Free RFCQ is a particular type of Butterfly which, different from the standard Btfly, doesn't require the three legs to be ordered by maturity (form lower to higher). It lasts up to 180 seconds (parameter).
- **Multileg** if the number of legs is up to 30 (parameter). Sell-Side participants can treat each leg autonomously from the other legs as opposed to what happens for RFCQ Switch and Butterfly.

The involved Tradable Instruments must be different one from the other. It lasts up to 240 seconds (parameter).

Executable Order (Click-to-Trade)

An executable order or click-to-trade is generated by a Buy-Side participant against executable quotes. As the Sell-Side participant retains the last look, the trade is generated only when the Sell-Side participant confirms the order. Both counterparties know each other identity pre-trade.

Trading flow

Submitting and executing a RFCQ

Buy-Side participants can send RFCQs only to Sell-Side participants with whom they have an active Trading Relationship and they can put up to 5/6 (parameter configurable by type of bonds) Sell-Side participants at any time.

A Buy-Side participant can submit the executable order using a dedicated dialog box including the following information:

- CUSIP (ISIN) of the bond

- Description of the bond

- Side

- Size (nominal)

- Settlement date

Each Sell-Side participant involved who decides to take part in the RFCQ sends the Buy-Side a firm quote containing the price or yield assigned to each instrument and a time in seconds (the on-the-wire Live Quote Time) within which he undertakes to automatically conclude the contract at the price offered and for the required quantity. If, during the RFCQ time, the Live Quote Time expires without the Buy-Side participant taking any action, the RFCQ Quote acceptance becomes manual and the trade execution is subject to explicit acceptance by the Sell-Side participant.

At any time, the Sell-Side participant can change the price and set a new Live Quote Time for the RFCQ Quote.

For RFCQ Switch and Butterfly a Sell-Side participant is bound to quote all the legs and will execute all or nothing. For RFCQ Multileg a Sell-Side participant is not compelled to quote all the legs. He can quote and trade only one or a subset of legs. A Sell-Side participant who decides not to take part in the RFCQ can send the Buy-Side participant an explicit notification of his refusal or can let the auction time expire without taking any action.

Depending on how the RFCQ is conducted and the aims of the Buy-Side participant, the following events may take place:

- The Buy-Side participant accepts one of the quotes and a trade is executed.

- The RFCQ expires (the length varies according to the type of RFCQ) and no trade is concluded.

- The Buy-Side participant closes the RFCQ before it has expired.

For RFCQ Outright, Switch and Butterfly:

- If a trade is executed between the Buy-Side participant and one of the Sell- Side participants, the system notifies the other participants of the closure of the auction with a done away message, but it does not provide information about the level at which the trade was executed nor with which entity
- If the RFCQ expires without the Buy-Side participant closing a trade, the system notifies the participants that the auction has closed due to timeout
- If the Buy-Side participant closes the RFCQ before the RFCQ time has expired, the system notifies all participants that the RFCQ was closed by the Buy-Side participant before its expiry.
- Submitting and executing an Executable order

An executable order can be generated only against an executable quote streamed by a Sell-Side participant for a specific bond and a size higher than the minimum tradable size and equal or lower of the displayed size.

A Buy-Side participant can submit the executable order using a dedicated dialog box including the following information:

- CUSIP (ISIN) of the bond
- Description of the bond
- Side
- Size (nominal)
- Minimum executable size
- Price/yield
- Settlement date
- Name of the counterparty

According to the side of the order, the Buy-Side client will click on the Hit (sell) or Lift (buy) button. This triggers an action for the Sell-Side participant who can accept, reject or let the order timeout. The acceptance generates a trade and populates the blotter of both counterparties with the relevant post trade information

Trade reporting

The Trading Summary displays all relevant information about RFCQ and Executable Order regardless if they were executed or not on the system intraday. Historical information is also available via the GUI or API.

Trading configurations

Sell-Side and Buy-Side participants can carry out various configurations via the standard GUI or API, including:

- Instrument class Enabling: Sell-Side participants must enable themselves on the Instrument Classes (bonds) they want to trade

- Trading Relationship (Buy-Side): prior to start trading, Buy-Side Participants need to send Sell-Side participants a request to establish a trading relationship. Once approved Buy-Side participants will be able to preview their list of active dealers

- Trading Relationship (Sell-Side): upon receiving a request to establish a trading relationship, Sell-Side participants may accept and become one of the counterparties the Buy-Side client can select in a RFCQ or Executable order. Once approved Sell-Side participants will be able to preview their clients including users

- Accounts configuration: Buy-Side participants can configure accounts (e.g. funds) they will be able use to allocate sizes traded.

Trade cancellation

MMI can only cancel a trade concluded on the BondVision US on the basis of a bilaterally agreed request sent by email by the two interested parties before the Market closes or immediately after the close.

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