

# Instinct<sup>®</sup> Equities

## What it is

Japan (JP) Instinct X<sup>®</sup> is BofA Securities' Crossing System of which the primary purpose is the provision of liquidity.

### Scope of Products

JP Instinct X<sup>®</sup> supports Equities listed on the Tokyo Stock Exchange (TSE).

### Trading Hours

Orders can be matched within JP Instinct X<sup>®</sup> during the continuous trading sessions of TSE from 9:00:05-11:29:55 and 12:30:05-14:59:55 Japan time.

### User Eligibility

Only Professional Investors defined under the Financial Instruments and Exchange Acts are eligible to be users of JP Instinct X<sup>®</sup> and these guidelines will be brought to the attention of each Professional Investor prior to any of their orders being routed to JP Instinct X<sup>®</sup> for the first time.

### Opt-In and Opt-Out Arrangements

Users should opt in to be eligible to route orders into JP Instinct X<sup>®</sup>. Existing users may opt out anytime by contacting the sales desk.

### Accessible Users

Only Professional Investors have access to JP Instinct X<sup>®</sup>. JP Instinct X<sup>®</sup> clients are divided into the following three client segments: Institutional, broker-dealer and HFT based on various criteria set by BofA Securities. There is no principal flow of BofA Securities Japan and its affiliates in JP Instinct X<sup>®</sup> except for Delta One hedge.

### Crossable Counterparty

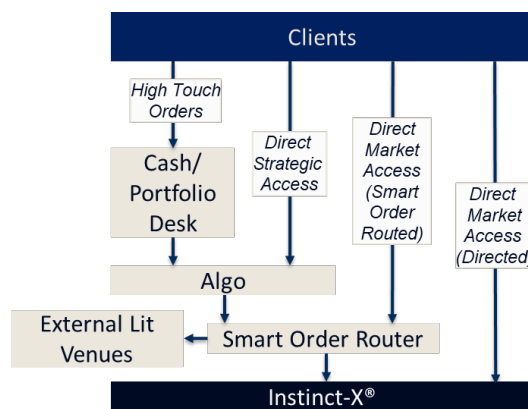
JP Instinct X<sup>®</sup> clients may exclude client segments that they do not wish to trade with. JP Instinct X<sup>®</sup> clients are divided into the three client segments mentioned above and clients can exclude one or more client segments if they wish to, however this cannot be set per order

basis. If not specified, default will be set to trade with all.

## The Key Dynamics

**Order Submission** – JP Instinct X<sup>®</sup> accepts Good-for-Day (“GFD”) and Immediate-or-Cancel (“IOC”) orders. Users may specify minimum crossing size on their orders, subject to trading units set by TSE. Also, users may be required to provide additional information as necessary.

### Access Routes –



Users may access JP Instinct X<sup>®</sup> directly via Direct Market Access or through our Smart Order Routing (SOR) system.

The diagram (left) shows the different ways that the venue can be accessed by clients.

Co-location is not offered for JP Instinct-X<sup>®</sup> access.

**Order Rejection** – JP Instinct X<sup>®</sup> is designed to immediately reject invalid orders with a message indicating the reason for the rejection and to immediately notify users of rejections electronically for orders submitted by users to JP Instinct X<sup>®</sup> directly. The rejection of orders generated by our automated trading strategies is automatically handled while rejection of manual orders triggers alerts for our relevant traders.

**Order Execution** – Orders that are received by JP Instinct X<sup>®</sup> with price limits that allow it to be matched with an existing order would generally be crossed/executed immediately at TSE ToSTNeT, subject to certain events (e.g. system interruptions and outages). Unexecuted portions of GFD orders remain active in JP Instinct X<sup>®</sup> during trading hours.

Our automated strategies may place tentative orders into JP Instinct X<sup>®</sup> while simultaneously posting an order to the primary exchange. The order on the primary exchange is cancelled when a crossing opportunity becomes available for a tentative order in JP Instinct X<sup>®</sup> prior to the tentative order being executed.

**Order Cancellation** – Unexecuted orders may be cancelled at any time during trading hours. All unexecuted orders in JP Instinct X<sup>®</sup> are cancelled at the end of each trading day.

**Crossing Priority** – JP Instinct X<sup>®</sup> is designed to follow a Price -Time priority.

**Transaction Pricing** – JP Instinct X<sup>®</sup> accepts order prices to the same granularity as the primary market tick, crossing at or between (i.e. mid) the prevailing best bid and offer of the primary exchange. JP Instinct X<sup>®</sup> will not cross beyond the current day high or low and TSE limit high or low. The following common scenarios illustrate the pricing logic of JP Instinct X<sup>®</sup>.

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## Commissions and Fees

Orders that are executed within JP Instinct X<sup>®</sup> are subject to the usual negotiated commission rates.

## Potential Risks Associated with Transactions Conducted on JP Instinct X<sup>®</sup>

Execution price for orders executed in JP Instinct X<sup>®</sup> may not always be better than the price that could have been achieved on the primary exchange, however the price will be in the range of the best bid and offer provided by the primary exchange. Orders will not be intentionally executed at unfavorable conditions.

Orders in JP Instinct X<sup>®</sup> may not be executed in the event of a system interruption or outage.

Execution of tentative orders in JP Instinct X<sup>®</sup> may be delayed as a result of the cancellation of the same order on the primary exchange.

## Contingency Arrangements

In the event of material system delay or failure of JP Instinct X<sup>®</sup>, we will use appropriate communication channels to inform impacted users of the causes, or possible causes and to confirm the manner in which their orders will be handled. Unexecuted orders will usually be either cancelled, routed to the primary exchange or held pending resolution of the incident.

## Crossing Restrictions

No crosses are executed for suspended securities or when market data is not available. Orders will not be matched within JP Instinct X<sup>®</sup> during TSE's Itayose (call auction) period.

Bid/Offer at the Primary Exchange

Bid	Offer
100	101

→Mid:100.5

Scenario 1 : Execute at **Bid (100)**  
Buy order enters first at bid. Sell order then enters at bid. Cross executed at the bid price.

Scenario 2 : Execute at **Mid (100.5)** ①  
Sell order enters first at mid. Buy order then enter at offer. Cross executed at the mid price.

Scenario 3 : Execute at **Mid (100.5)** ②  
Buy order enters first at mid. Sell order then enter at bid. Cross executed at the mid price.

Scenario 4 : Execute at **Mid (100.5)** ③  
Buy order enters first at offer. Sell order then enter at bid. Cross executed at the mid price.

## Internal Control Procedures

BofA Securities Global Execution Council and the regional Asia Execution Governance Council (AEGC) set the governance framework for Electronic Trading. Our internal control procedures ensure fair and orderly functioning of JP Instinct X<sup>®</sup> and address any potential conflict of interest concerns.

## Fair Orderly Functioning of JP Instinct X<sup>®</sup>

- **Pre-Trade Risk Controls** – Orders routed to JP Instinct X<sup>®</sup> are subject to pre-trade risk controls including maximum single order notional limits and maximum daily aggregate notional limits.
- **Coverage** – Orders placed into JP Instinct X<sup>®</sup> via our algorithmic trading platform are monitored by our dedicated Electronic Trading coverage team.
- **Technology Support** – Dedicated technology team monitors the performance of the electronic trading platform including JP Instinct X<sup>®</sup> in real time and are immediately alerted to any incidents or issues.
- **Testing** – All changes to JP Instinct X<sup>®</sup> are subject to robust testing and deployment policies and procedures.
- **Surveillance** – Our Compliance and Operational Risk function perform daily surveillance over orders executed in JP Instinct X<sup>®</sup> to ensure adherence with local rules and regulations.
- **Kill Switch** – If necessary, and subject to internal approval procedures, we can cancel orders in JP Instinct X<sup>®</sup> or disable the pool.
- **Analytics** – JP Instinct X<sup>®</sup> execution data is included in internal analytics reports which are subject to regular review.
- **Governance** – Key stakeholders including Business, COO, Compliance and Operational Risk, Technology, and Operations participate in AEGC governance meetings.
- **Capacity** – Usage capacity of JP Instinct X<sup>®</sup> is monitored and appropriate capacity planning is conducted.

## Managing Potential Conflict of Interest

- **Order Priority** – JP Instinct X<sup>®</sup> is designed to follow a Price-Time priority.
- **System Access** – System access to JP Instinct X<sup>®</sup> is restricted in accordance with provisions set out in the section below.
- **Fees and Rebates** – There are no additional fees or rebates for providing or taking liquidity in JP Instinct X<sup>®</sup>.

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## Access to Japan Instinct X<sup>®</sup> Trading Information

Department	Functional Area <sup>3</sup>	Rationale for Access
Technology	Electronic Trading Technology	Application support
Equities	Sales and Trading	Account coverage and client service
	Quantitative Research	Execution analysis
Operations	Trade and Settlement Support	Reconciliation, booking, allocation, clearing, and settlement
Compliance and Operational Risk	Compliance	Trade surveillance

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Registered number as Financial Instruments Business Operators: Kanto Local Finance Bureau (FIBO) No.186

Association Memberships: Japan Securities Dealers Association; The Financial Futures Association of Japan; Type II Financial Instruments Firms Association and; Japan Financial Services Association

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## Disclaimer

### BofA Securities Instinct X<sup>®</sup>

BofA Securities ("BofA Securities") operates Instinct X<sup>®</sup>, an Alternative Trading System ("ATS") in the US and in other geographies. BofA Securities seeks to operate its ATSs in accordance with applicable regulations, and in accordance with reasonable expectations of fairness. However, potential execution counterparties in BofA Securities' ATSs and in external venues may have trading objectives and/or expectations that may be adverse to your own, and so execution outcomes may vary. BofA Securities makes no guarantee as to the performance that can be achieved through the use of its ATSs. BofA Securities' ATSs operate on a Price/Capacity/Time priority, with any BofA Securities principal capacity orders yielding to client orders at an equal price.

Within its own ATSs, BofA Securities may offer a variety of crossing services that support a segmentation and/or tiering model to enhance Client choice regarding the nature of potential counterparties with whom they may execute. Where it does so, BofA Securities will use reasonable efforts to adhere to your expressed preferences regarding the use of different crossing services, to assign Clients to the appropriate segment and to maintain those assignments, and to adhere to your expressed preferences regarding interaction with participants in such segments. While BofA Securities will use reasonable efforts in this context, it makes no guarantee as to accuracy or consistency of the composition of any segmentation assignment, which may be based in part on BofA Securities' understanding of information supplied by others.

### BofA Securities Routing and Order Handling

In the absence of instructions to the contrary, or depending upon your expressed preferences, the particular BofA Securities routing strategy or algorithm that you may elect to employ, or that is employed on your behalf, and as part of BofA Securities' services seeking the most efficient and effective experience for Client orders, your orders may be given an opportunity to interact with any resident non-displayed orders in one of BofA Securities' own ATSs, which may include BofA Securities principal trading interest, prior to being exposed to external venues. External venues may include but not be limited to public exchange markets, multi-lateral trading facilities, other ATSs, or broker dealers, (such routing appropriate to each BofA Securities region) consistent with your instructions or BofA Securities' routing logic as applicable. While BofA Securities maintains relationships and connectivity to a variety of such venues as part of its routing processes, BofA Securities does not represent that it has access to all such venues that potentially may be available at any given point in time. To the extent that this document references performance times, such information is indicative and attempts to illustrate the performance speed and latency generally associated with certain systems, order/message paths, and linkages. Actual performance may be different and, in some cases, materially slower than indicated.

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