

## **XTX DIRECT**

### **CLIENT DISCLOSURES**

This document contains important client disclosures (“**Disclosures**”) regarding “XTX Direct”, a single dealer platform operated by XTX Execution Services LLC (“**XTX**”), a broker-dealer registered with the SEC and FINRA. It provides certain information about XTX and the operation of XTX Direct. Your use and interaction with XTX Direct will be on the basis that you have read and understood the Disclosures set forth in this document. In addition, clients must execute an access agreement with XTX prior to using XTX Direct. These Disclosures, as amended from time to time, are incorporated into your agreement and made part thereof by reference.

These Disclosures may be amended by XTX from time to time and made available to you on XTX's website (<https://www.xtxmarkets.com/articles/regulatory-disclosures>). Your continued trading with XTX following any update to the Disclosures shall be deemed to constitute acceptance and acknowledgement that you have read and understood the terms. If you have any questions or would like any further information, please contact your XTX client representative.

#### **Execution against Proprietary Liquidity on XTX Direct**

XTX Direct enables clients to execute solely against XTX's proprietary liquidity and XTX is the party to all trades in a principal capacity. XTX Direct is not an “alternative trading system” (“**ATS**”) as defined under SEC rules. Although trades are given up to XTX's prime broker for clearance and settlement, XTX trades in a principal capacity when dealing with you and XTX's prime broker does not act as agent or in any other advisory capacity. XTX does not in any way handle your order (e.g., by routing to other venues), and XTX shall act solely as a buyer or seller in response to orders sent to XTX Direct by you, as described further below.

#### **XTX Principal Trading**

XTX will also trade for its own account as principal on ATSS and other trading centers at any time as part of its own proprietary trading activities and in order to manage XTX's risk. Such trading may be in the same securities as offered for execution on XTX Direct.

XTX's liquidity provision is based on a proprietary model which is also used by XTX Markets LLC (“**XTX Markets**”), an affiliate of XTX and a SEC registered broker dealer, to trade on U.S. national securities exchanges and ATSS. XTX Markets will likely trade the same securities for its own account as are offered by XTX on XTX Direct. Further, XTX Markets is a client of XTX. Following execution of client orders, XTX will seek to hedge its risk positions with XTX Markets, among other liquidity sources.

#### **Operational Details and Trading Hours**

The Hours of Operation for XTX Direct are: 9:30AM – 4:00PM Eastern Time. Orders received outside of these hours will be rejected.

XTX's market identifier code (“**MIC**”) is XTXD. XTX's market participant identification (“**MPID**”) is XTXE.

#### **Order Types**

XTX will send non-firm indications of interest (“**IOIs**”) to clients connected to XTX Direct, in response to which you may submit an order. Any IOI sent by XTX is an indication of trading interest at the time that the IOI is sent and such trading interest may change following transmission of the IOI and/or at the time any client order is received. Any IOI sent by XTX is not a quote or an order, and XTX does not guarantee any execution in respect of orders received in response to an IOI.

Alternatively, you may also submit an Order (as defined below) for execution without first having received an IOI from XTX.

The orders you submit to XTX Direct (whether in response to an IOI or otherwise) will be immediate-or-cancel orders (“**Orders**”) and only limit or market Orders may be submitted. XTX Direct supports execution of round, odd and mixed lot order sizes. XTX Direct also supports minimum quantity conditions for Orders. XTX may execute an Order for less than its full size, subject to any minimum quantity condition.

### **Execution of Your Order**

When XTX receives your Order, XTX shall determine, in its sole discretion, whether to execute the Order and at what price (as described further below) as soon as it receives your Order. If XTX decides to execute your Order, it will execute the trade. If XTX decides not to execute your Order, it will be immediately cancelled. If XTX decides to execute part of your Order, it will execute the relevant part and immediately cancel the unexecuted part of your Order. Orders sent to XTX: (i) do not rest inside the XTX Direct system; (ii) are not routed on to any other destination; and (iii) are not exposed to any other market participant prior to receipt by XTX.

### **Pricing**

If XTX agrees to execute your Order, the price will be based on XTX’s proprietary “fair value” model and the Order will be executed at the national best bid or offer (“**NBBO**”) or, in XTX’s sole discretion, at a price better than the prevailing NBBO. XTX determines the NBBO using market data from the securities information processors at the time XTX receives your Order. Each client of XTX Direct may vary significantly in their trading style, and execution or liquidity requirements. XTX’s decision on whether to execute an Order and at what price may consequently differ from client to client in order to meet each client’s specific needs and requirements, and in consideration of market impact, the volume of anticipated trading, and other factors. Therefore, not all clients, and not all Orders, will receive price improvement and clients may have different fill ratios compared to other clients. For example, it could be the case that two clients may submit identical Orders to XTX Direct at the same time and one client’s Order may be cancelled, and the other client’s Order may be executed, or that one client’s Order is executed with price improvement and the other client’s order is executed without price improvement.

### **Erroneous Transactions**

If the SEC, FINRA, an exchange or any other regulatory authority determines that an executed transaction is “clearly erroneous” or should otherwise be cancelled, XTX will be required to cancel the transaction and will not be able to effect the transaction on the terms and at the execution price. XTX reserves the right to adjust, cancel, correct or take any other appropriate action when it reasonably deems a transaction executed on XTX Direct to be erroneous in its sole discretion, even if such transaction would not be subject to modification or cancellation pursuant to applicable clearly erroneous regulatory rules.

### **Restricted Client Information**

XTX is a proprietary trading firm and the operations of XTX are, to some extent, integrated with other operations within XTX and its affiliated companies (the “**XTX Group**”), including XTX Markets.

We understand that the confidentiality and security of your pending, unexecuted, cancelled, and rejected Orders (including partially rejected Orders) (“**Restricted Client Information**”) is paramount and we have controls in place to ensure such information is adequately protected within the XTX Group.

XTX Direct is systematically segregated from XTX Markets’ trading systems and all other proprietary trading systems of the XTX Group. The trading development team responsible for XTX Direct is different to the trading development team responsible for XTX Markets. XTX Group’s businesses, including client and proprietary trading activities (including XTX Markets’ trading operations), are supported or supervised by the same functional teams including trading analysts, operations, back/middle office technology teams, executive management, compliance and risk. However, only duly authorized personnel whose responsibilities require them to access Restricted Client Information are able to see

this information. In addition, the XTX relationship management team with whom you discuss your liquidity management or order flow will be able to see your Restricted Client Information. All trading in the XTX Group, including the trading activities of XTX Markets, is fully automated. There are no human discretionary traders. This minimizes the conflicts which may arise as personnel are not able to execute discretionary proprietary trades for XTX.

XTX also has systematic and procedural protections in place to prevent misuse of client Order information. All XTX Group personnel adhere to the XTX Code of Conduct (which is available on our website at: [www.xtxmarkets.com/regulatory-disclosures](http://www.xtxmarkets.com/regulatory-disclosures)) and various policies identified in such statement, that are designed to protect the confidentiality of your information, including Restricted Client Information. XTX Group personnel are also subject to policies and procedures that are intended to prevent XTX and the XTX Group's proprietary trading personnel from accessing Restricted Client Information and, with respect to those personnel who have access to Restricted Client Information, policies and procedures to prevent the misuse of Restricted Client Information. In particular, certain XTX Group personnel who monitor, or have access to, either or both XTX Direct and XTX Markets' trading systems are required to make specific, individual, attestations that your Restricted Client Information will not be misused.

### **Use of Your Information**

XTX, (nor any other XTX Group entity including, but not limited, to XTX Markets), will not use your Restricted Client Information to inform trading in its proprietary account or as an input in its pricing models or proprietary fair value model. XTX will only use your Restricted Client Information for the purposes of optimizing your trading on XTX Direct.

To ensure that XTX can provide you with competitive pricing, it may use your identity and observed transaction execution characteristics to determine how it manages its risk. This means that XTX will have the ability to tailor its risk management strategy to your transaction execution characteristics.

In addition, post-trade execution information may be used as an input into the XTX Group's pricing models.

### **Access to XTX Direct**

XTX may, in its sole discretion, restrict access or prohibit use of XTX Direct for any reason and without prior notice to you. XTX may also determine, in its sole discretion, to stop sending IOIs for particular securities or all securities to any or all clients at any time without prior notice to you. XTX has no obligation to provide continuous IOIs or execute any Order received.

### **Additional Disclosures**

XTX maintains a Business Continuity Plan ("BCP") in accordance with the requirements of FINRA Rule 4370. A description of the BCP is available on our website here: <https://www.xtxmarkets.com/articles/regulatory-disclosures/>

As a member of the Securities Investor's Protection Corp. ("SIPC"), XTX is required to provide you with information about SIPC protection for your account. You may find this information in the SIPC brochure available here: <https://www.sipc.org/media/brochures/HowSIPCProtectsYou-English-Web.pdf>. You may also contact SIPC for more information using their website: <https://www.sipc.org/> or telephone number: (202)371-8300.

FINRA ([www.finra.org](http://www.finra.org)) maintains a website called BrokerCheck to research the background and experience of broker-dealers such as XTX and their representatives. You may access BrokerCheck at this address: <https://brokercheck.finra.org/>. You may also call the BrokerCheck Hotline Number at (800)289-9999. FINRA has created a brochure that includes information describing FINRA Brokercheck; this brochure can be found here: <https://www.finra.org/sites/default/files/InvestorDocument/p009888.pdf>

Under certain Federal laws including the Bank Secrecy Act and USA Patriot Act, XTX maintains a Customer Identification Program (CIP) which requires us to obtain, verify, and record information that identifies each person or entity who opens an account.

When you open an account, we will request information that will allow us to adequately identify you. If you are unable or unwilling to provide sufficient information in order for XTX to verify your identity, we may not be able to open an account for you.