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## 1. Introduction

Instinet Pacific Limited (“Instinet”) – CE No. ABB038 – operates an Alternative Liquidity (“ALP”) for Hong Kong listed securities pursuant to its SFC type 7 license under the brand name CBX™ Hong Kong (“CBX”).

This document is Instinet’s ALP guidelines (Guidelines) written to ensure Instinet’s adherence to the SFC Paragraph 19 of the Code of Conduct for Persons Licensed by or Registered (“Paragraph 19”) with the SFC (“the Code”) and specifically Schedule 8 of the Code.

## 2. Definitions

- a) “Alternative Liquidity Pool or ALP”: is defined in Paragraph 19;
- b) “Group of companies”: shares the definition as in Part 1 of Schedule 1 of the Securities and Futures Ordinance (“the SFO”);
- c) “Proprietary Order”: is as defined in Paragraph 19;
- d) “Qualified Investor”: is as defined in Paragraph 19;
- e) “User”: is as defined in Paragraph 19.

## 3. Clients and User Restrictions

### 3.1 Eligible Clients

Only “Qualified Investors” are able to trade in CBX, subject to approval and acceptance of this Guide and the Terms of Business. Orders from clients who are not authorised to trade are rejected. Clients must also ensure that their underlying clients are Qualified Investors.

Instinet reserves the right to limit access to or prohibit the use of CBX at its own discretion.

### 3.2 Opt Out arrangements

Clients’ configuration can easily be changed to deny the client access to CBX should they prefer not to interact with dark liquidity. Please contact your coverage trader for that change.

### 3.3 Associated Risks

Given the agency nature of Instinet’s business there are limited risks of which the client should be aware. Instinet is keen to ensure that the CBX product is valued by all clients and, as such, we only allow institutional clients to directly post liquidity into the pool. Instinet does not allow “high frequency traders”, “market makers”, or other liquidity providers to access the ALP.

## 4. Treatment of Proprietary Orders

Instinet is an agency only broker so does not have any of its own proprietary orders that access CBX. Instinet is wholly owned by Nomura Holdings Inc. Some Nomura entities under the same ownership, whilst treated the same as any other client at Instinet, are treated as “proprietary” under the broad definitions in the Code and the SFO (Cap 571). If any of these entities access CBX, irrespective of the time when their orders are placed, orders of users of CBX Hong Kong who are not proprietary orders will have priority over proprietary orders when such orders are being transacted at the same price. That is, proprietary orders will reduce in priority should a non-affiliated client order at the same price be sent into CBX.

5. Trading and Operational Matters

5.1 Hours of Operation

The Hong Kong Stock Exchange (“HKEx”) opening hours for normal trading hours are as follows:

Time	Session
09:00 – 09:30	Pre-open Session
09:30 – 12:00	Morning Continuous Trading
12:00 – 13:30	Extended Morning Session
13:00 – 16:00	Afternoon Continuous Trading
16:01 – 16:10	Closing Auction (for eligible stocks)

On Lunar New Year’s Eve, Christmas Eve and New Year’s Eve, trading hours are cut short to half a day with trading ceasing at 12:30. There will be no trading on New Year’s Day and other public holidays in Hong Kong.

There are also other special circumstances such as typhoons where the exchange is closed or has shortened trading hours.

CBX operates 2 distinct order books – a regular limit crossing book, and a Market On Close book. Each book operates under the following hours:

Book	Operating Hours	Comments
Limit Crossing	09:30 – 16:00	Orders can only cross once the stock has opened on the primary exchange –09:30
Market On Close	07:30 – 18:30	

5.2 Timing of Reporting to Exchange

Off exchange transactions that occur during market hours are required to be reported to the HKEx within 1 minute. Transactions concluded outside HKEx trading hours are reported to the Exchange within the order input period of the Pre-opening session or the first 15 minutes of the commencement of Continuous trading.

Instinet will report all CBX transactions as soon as the HKEx system is available for reporting. The below table states when a CBX trade is reported:

Book	Time of Trade	Reporting time	Comment
	<del>07:30 – 09:30</del>	<del>09:00 on the same day.</del>	<del>Reports will commence as soon as practicable after 09:00.</del>
Limit Crossing	09:30 – 16:00	Immediately after the trade is executed.	Trades entered at 12:00-13:00 report at <del>13:05</del> after 13:00:30
Market On Close	<del>16:00 – 18:30</del> 07:30-18:30	The following trading day at <del>09:05</del> -After 09:01:30	These trades are reported to the exchange with a ‘Previous day indicator’. i.e. By definition, the trade occurred on the previous day and has the same settlement date as other trades that occurred on the previous day.

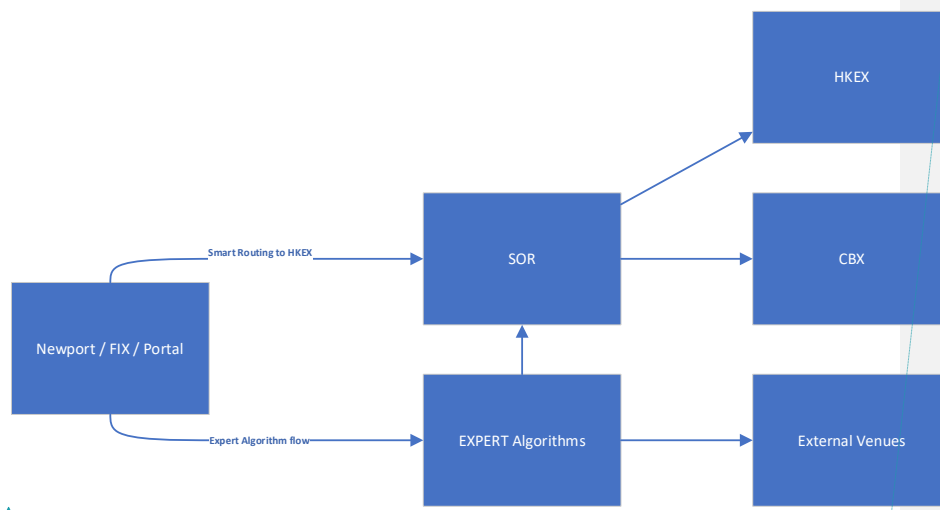
Commented [JH1]: updated trade reporting time to match production

6. Execution Methodology and Pricing

6.1 Means of Order Entry and Order Routing

Client Type	Execution Methodology
High touch client	Uses Newport 3 or FIX to send orders to coverage trader. Coverage trader uses Newport 3 to access market via SOR or Expert Algorithm.
Low touch client	Sends order via Newport 3 or FIX to SOR or Experts Algorithms to access market.

Commented [JH2]: Adding clarity on order entry and order routing



Field Code Changed

Orders intended for CBX can be entered through the below platforms:

- Newport 3
- Portal
- FIX
- Manually placed with an Instinet coverage trader

6.2 Trade Prices

Limit orders within CBX can only cross at, or better than the best bid or ask published by HKEx at that point in time. This also applies for stocks that triggered the volatility control mechanism. If the HKEx is crossed or locked then CBX will not execute trades.

Market On Close orders will cross with an indicative price (previous close) and then re-price to the closing price once it is published

Instinet received pricing information from the HKEx or other market data vendors we consider reliable. In exceptional circumstances, pricing information may be delayed due to reasons beyond

Instinet's control, which may result in orders being matched in CBX outside the prevailing best bid and ask on HKEx.

**6.3 Order Types**

CBX supports the following order types:

Order Type	Comment	Matching Priority
Limit	Limit Order is an order with a limit price	Price, Time
Fill or Kill	The order will be totally filled or cancelled immediately	Price, Time
Immediate or Cancel	The order will trade as much as possible and the have the residual cancelled immediately	Price, Time
Iceberg	A 'Display Qty' which is smaller than the order quantity is specified. The quantity as shown on CBX is the display quantity and each time the display qty is completely traded, remaining portion of the order up to the display quantity is displayed. The remaining portion joins at the end of the order queue.	Price, Time
Pegged orders	<p>Multiple pegged order types supported:</p> <ul style="list-style-type: none"> <li>• Primary Peg Types:                             <ul style="list-style-type: none"> <li>○ Basic Primary Peg – pegged to the primary market best bid or offer. Order will float with the market up to the limit price.</li> <li>○ Primary Peg with Increments – pegged at user defined increment away from the same side of the primary market best bid or offer.</li> </ul> </li> <li>• Mid Peg Types:                             <ul style="list-style-type: none"> <li>○ Basic Mid Peg – pegged to the middle of the primary market best bid and offer. Order will float with the market up to the limit price.</li> <li>○ Mid Peg with Increments – pegged at user defined increment away from middle of primary market best bid or offer. Order will float with the market up to the limit price.</li> </ul> </li> <li>• Market Peg Types:                             <ul style="list-style-type: none"> <li>○ Basic Market Peg – pegged to the contra-side of the primary market best bid or offer. Order will float with the market up to the limit price.</li> <li>○ Market Peg with Increments – pegged at user defined increment away from the contra-side of the primary market best bid or offer. Order will float with the market up to the limit price.</li> </ul> </li> </ul>	Price, Time
MOC	"Market On Close" - A pre-close cross using the day's closing price. Clients using MOC will be sent "indicative fills" as they are matched. Final executions will be sent shortly after the market closes, once the closing price is calculated. Trades will be reported to HKEx on the following trading day using the "previous day's trade" flag.	Time only

## 6.4 Price Steps

Price steps in CBX are defined as follows:

Low Range	High Range	Price Step
0	0.2499	0.001
0.25	0.4999	0.001
0.50	9.9999	0.001
10.00	19.9999	0.002
20.00	99.999	0.005
100.00	199.9999	0.010
200.00	499.9999	0.020
500.00	999.9999	0.050
1000.00	1999.9999	0.100
2000.00	4998.9999	0.200
5000.00	9995	0.500

Orders entered into CBX that are of a limit between the spread will be rounded conservatively; that is, for buy orders, downwards to the nearest price step and upwards for sell orders.

## 6.5 Quantity

CBX will accept board lots only. Any mixed or odd lot orders will be rejected.

The maximum order size is defined on a per-client basis as part of Instinet's standard pre-trade risk controls. There is no default maximum share/lot size for orders entered into CBX.

## 6.6 Side

CBX will support Buy and Long Sell only. Any other side will be rejected.

## 6.7 Supported Securities

CBX will support trading of all securities tradeable on HKEx that have the same settlement process as an ordinary stock. This includes ordinary stocks, exchange traded fund, warrants but not bonds. Orders for Hong Kong bonds will be rejected

## 7. Cancellation and Amendment Process

### 7.1 Client cancellation

Clients are able to cancel orders sent to the regular limit book of CBX at any time until they become fully filled.

~~VWAP or~~ Market On Close orders may be cancelled at any time, but once an indicative fill has been issued, that part of the order can no longer be cancelled

**Commented [JH3]:** Instinet Pacific Limited ("IPL") no longer offers VWAP crossing in Hong Kong.

### 7.2 Client amendment

Clients are able to modify the quantity and price of their orders in CBX. Any change to the price, or an increase in quantity will result in losing queue priority. Amendments to decrease the quantity will remain at their existing location in the queue.

~~VWAP orders cannot be modified after the cross has run at 08:50~~

**Commented [JH4]:** Instinet Pacific Limited ("IPL") no longer offers VWAP crossing in Hong Kong.

### 7.3 Trade Cancel/Trade Correct

Instinet has discretion to cancel/correct a trade that has already occurred on CBX. This facility is not generally available and will only be used to correct genuine errors of faults. Trades already reported to the exchange cannot be cancelled/corrected.

### 7.4 Force Cancel

In the event of a force majeure, connectivity problems, clearly anomalous trades or other relevant and genuine emergency situations, Instinet reserves the right to force cancel an order in CBX, if in Instinet's absolute discretion, such a cancellation is required. Impacted participants will be notified for any such cancellations.

Orders outstanding in CBX after trading hours will be cancelled back to clients. They will not roll over to the next trading day.

### 7.5 Contingency Arrangement

If CBX is not operational due to a system failure, data services failure or any other reasons, unexecuted order may be either cancelled, or held pending resolution of the incident. Instinet will use appropriate communication channels to inform impacted users of the causes, or possible causes and to confirm the way orders will be handled.

## 8. Aggregation

Orders are not aggregated in CBX.

## 9. Self-crossing

By default all clients can self-cross with themselves in CBX. However, this can be turned off if required. Clients are expected to have controls in place to ensure compliance with relevant rules.

## 10. Internal Control Process

### 10.1 Stock Suspended from Trading

There will be no trading of stocks at any crossing time in CBX if the trading of the stock is suspended by HKEx.

In the case of a ~~VWAP or~~ Market On Close cross, if after the preliminary match the stock becomes suspended from trading, Instinet will still execute the match if a ~~VWAP or~~ Closing price is ascertainable by Instinet. The indicative trade will be cancelled if a ~~VWAP or~~ Closing price cannot be determined by Instinet.

### 10.2 Price Range checking

As noted in section 6.2, CBX will allow matching of orders on the regular limit book at or better than the HKEx's best bid and offer at that point in time. Orders more aggressive (but still within Instinet's pre-trade risk controls set up on a per client basis) will be rounded down to the far touch price and orders more passive will sit in the book until they come into range, or CBX closes for the day.

**Commented [JH5]:** Instinet Pacific Limited ("IPL") no longer offers VWAP crossing in Hong Kong.



**10.3 Schedule of Internal Users**

The following Instinet users have access to certain data within CBX:

Department	Title	Real-time visibility?	Reason for Access
Technology	Asia Trading Operations	Y	Application support
	Product Strategy	N	Product support
Operations	Middle Office/settlements	N	Allocations, booking, clearing and settlement
Legal & Compliance	Compliance	N	Trade surveillance and monitoring
Front office	Electronic coverage	N	Account coverage for clients
	Responsible officers/regulatory managers	N	Supervision and Management

**11. Settlement**

The clearing and settlement process is no different from transactions that are completed at the HKEx. As transactions are reported to HKEx with a tag indicating the trade date to be the actual date of the transaction, clearing and settlement will conclude in the usual manner in accordance with the rules, regulations and procedures of HKEx. Participants are required to inform themselves of these rules, regulations and procedures and adhere to them in accordance with Instinet's usual terms of business for trading the HKEx.

Participants should remember that settlement of transactions will take place in accordance with CCASS Operational procedures. This includes changes to settlement timing due to typhoons, black rainstorms and other contingency events.

## CBX™ HONG KONG GUIDELINES



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