



## Citi Order Routing and Execution, LLC (“CORE”) Order Handling Document

CORE’s automated systems have been designed and are routinely enhanced to automatically provide the highest level of regulatory compliance and strive to obtain the best execution quality available. Please see below for important disclosures as well as additional information about our business practices.

### **Best Execution**

#### *1) How does CORE obtain best execution for my order?*

Sophisticated logic is integrated into CORE’s option order routing system to facilitate the client’s access to the National Best Bid or Offer (“NBBO”) in order to achieve a favorable execution. In some instances, CORE is able to provide executions that are better than the prevailing NBBO. There are a variety of Exchange-sponsored electronic auction mechanisms that CORE may use to capture price improvement opportunities. Orders routed to CORE may be paired with an order from its affiliate options Market Maker in order to offer an execution of at least one (1) tick better than the posted NBBO. Once the order is exposed to an Exchange auction, competing market makers may provide further price improvement.

#### *2) What information does the firm supply to its clients to assist them in performing their regular and rigorous reviews of their best execution obligations to their clients?*

CORE can supply its clients with monthly execution analyses containing execution speed, price improvement rates and other important data broken down by order size and stock type.

#### *3) Does the firm guarantee its executions?*

It is the mission of this firm to provide the highest quality execution services. Toward that end, CORE’s automated trading systems will use best efforts in connection with the handling of each of its clients’ orders. While it is our goal that these efforts may enable our clients to satisfy their regulatory obligations associated with the orders and the relevant fiduciary obligations that they owe to their customers (including, but not limited to, our clients’ obligations to provide best execution for its customers’ orders), nothing in the foregoing materials should be construed to mean that CORE is a guarantor of any of those obligations, that CORE has agreed, either expressly or implicitly, to take on those obligations, that CORE has agreed to indemnify its clients with respect to any alleged or actual breach of such obligations, nor that CORE is a fiduciary of its broker-dealer clients or their customers. CORE reserves the right to reject any order presented to it by its Clients.

### **Caveats**

#### *4) Are the firm’s order handling protocols always static for a given client or a given period of time?*

CORE reserves the right at its sole discretion to reduce, modify, suspend, or cancel any of its order handling protocols, including, but not limited to, automated price improvement and automatic execution, without notice on a stock by stock or client by client basis, when non-normal market conditions exist, when attempts are made to circumvent its automatic execution size limitations, or when CORE otherwise deems it appropriate. CORE also reserves the right at its sole discretion and at any time, to route any order to any national exchange, or ATS for pricing and/or display, as long as the facility to which the order is routed complies with the Limit Order Display Rule.

### **Order Routing Disclosures**

#### *5) Where can I find information about how my order was routed?*

SEC Rule 606 requires broker-dealers to make publicly available for each calendar quarter a report on its routing of non-directed orders in covered securities. CORE’s quarterly report is available on the web at [www.CORErouting.com](http://www.CORErouting.com). A written copy may be obtained upon request. In addition, SEC Rule 606 requires broker-dealers to disclose, upon request, the identity of the venue to which a particular order(s) were routed for execution in the six months prior to the request, whether the orders were directed orders or non-directed, and the time of the transactions, if any, that resulted from such order. All such request should be directed to CORE’s Trading and Client Support Desk (TCS) at [COREtcs@citi.com](mailto:COREtcs@citi.com) or by phone at 866.283.2831.



## Short Sales

### 6) *Will the firm accept short sale exempt orders?*

CORE will accept short sale exempt orders in NMS Securities. However, it is the responsibility of the client to determine when it is appropriate to mark their order as short sale exempt. CORE will reject an order in an OTC Security marked Short Exempt.

### 7) *Does CORE provide locates for my short sale?*

CORE does not provide locates for clients. It is the responsibility of the client to obtain a locate for a short sale order routed to CORE. Non-US Broker Dealers (Foreign BDs and Institutions) will be required to send information regarding where they located for all short sale orders on fix tag 5700.

Pursuant to Reg SHO 204, CORE may, upon its own discretion, reject client orders marked as short sale if it is determined that the firm has failed to perform the necessary buy ins within the deadlines set forth by the SEC. Furthermore, client short sale orders may be rejected if a participant demonstrates a pattern or practice of failures to deliver in time for settlement.

## Clearly Erroneous Filings & Obvious Errors

### 8) *What is the Firm's Policy for Handling Clearly Erroneous Filings?*

It is the responsibility of the client to timely identify and notify CORE of clearly erroneous executions. If a client wishes the firm to submit a clearly erroneous /obvious error petition to break an erroneous transaction on their behalf, they may request a filing be submitted if the transaction meets the numerical guidelines as set forth by the applicable Exchange and SRO rules. In addition we must receive an email at COREtcs@citi.com indicating the factual basis for the error prior to the submission of the CE filing. All requests must be received within 5 minutes of the filing deadline in order to allow time to complete the submission to the Exchange. If the above mentioned criteria are not met (timely notification, bona-fide error reason, pricing criteria) the firm will not submit a filing in accordance with Exchange and SRO Rules. CORE reserves the right to refuse to file clearly erroneous filings if, in CORE's sole discretion, such filing would put CORE at regulatory risk. Please contact your sales representative with any questions about this policy.

## GTC/GTD Order Expiration

### 9) *What is the Firm's Policy for the Cancellation of GTC/GTD orders?*

A GTC order will remain an open order until executed, cancelled by the client that placed the order or cancelled by CORE, whichever comes first. Effective June 1, 2014, CORE will automatically cancel any open GTC orders one year after its receipt. Clients who wish to keep their orders open must cancel/replace or re-enter the order prior to the 1 year expiration date. In addition, the firm will cancel any GTD orders one year after its receipt.

## "Stop on Print" and "Stop on Quote" order types

### 10) *What order types are available for stop loss activation?*

The Firm accepts two order handling types for stop loss activation. A "Stop on Quote" order is an order that will elect based upon the automated NBBO. Sell Stop on Quote orders are elected when the Best Bid meets or falls below the stop price. A buy Stop on Quote order elects when the Best Offer meets or exceeds the Stop Price. A "Stop on Print" order elects based upon regular way transaction. Once elected, the order becomes a market order or Limit Order based upon the instructions received. CORE requires that clients specify the stop election method on an order by order basis utilizing fix tag 40. The election type when the firm receives fix tag 40= 3 or 40=4 is a "Stop on Print" order type. Clients may elect for the "Stop on Quote" order handling by sending tag 40= R and 40=S.

## Pre-Market and Post-Market trading sessions

### 11) *Does the firm offer Pre-Market and Post-Market trading sessions?*

CORE may provide Pre-Market and Post-Market trading sessions to its clients. Pre-certification is required to participate in such extended trading sessions. CORE is providing the following risk disclosures to those who submit orders to be executed in the pre-market or post-market sessions:

1. **Risk of Lower Liquidity:** Liquidity refers to the availability of shares in the marketplace. Generally, the more orders that are available in a market, the greater the liquidity. Greater liquidity usually makes it easier for investors to buy or sell securities. There may be less liquidity during extended hours than during market hours. As a result, an order may only be partially executed or not at all.
2. **Risk of Higher Volatility:** Volatility refers to the amount that a security's price changes over time. Generally, the higher the volatility of a security, the greater are its price swings. There may be greater volatility during extended hours than during market hours. As a result, an order may only be partially executed or not at all, and/or an order may receive a

price during extended hours that it would not have received during market hours.

3. **Risk of Wider Spreads:** The spread refers to the difference in price between the inside bid and offer in a security. Lower liquidity and higher volatility tend to result in wider than normal spreads.
4. **Risk of Prices Unrelated to Normal Market Hours Prices:** The price of a security traded during extended hours may reflect neither its prior closing price nor its subsequent opening price. As a result, an order may receive a price during extended hours that is unrelated to a price it would have received during market hours.
5. **Risk of Unlinked Markets:** Prices of a security displayed on a particular extended hours trading system may not reflect the prices of the same security displayed in other concurrently operating extended hours trading systems. Accordingly, an order may receive a price in one extended hours trading system that it would not receive in another extended hours trading system.
6. **Risk of New Information:** Corporate news and financial information are generally disseminated after market hours. Such announcements, especially when combined with lower liquidity and higher volatility, can have an exaggerated effect on the price of a security.
7. **Risk of Lack of Calculated Data:** The Underlying Index Value ("UIV") or Intraday Indicative Value ("IIV") of certain derivatives may not be calculated or publicly disseminated during extended hours. Since relevant UIV and IIV data may not be available, investors who cannot calculate such implied values may be at a disadvantage relative to those who can.

### Market Access – SEC Rule 15c3-5

12) *What are the market access limits for my Firm?*

CORE has limits on the per-order share, contract, notional and aggregated exposure for each client. Please contact your CORE Relationship Manager for details on the specific limits for your account.

13) *Does CORE allocate any responsibilities to client under the Market Access Rule (SEC Rule 15c3-5)?*

Pursuant to Rule 15c3-5(d)(1), a broker-dealer that provides market access may allocate control, by written contract, over specific regulatory risk management controls and supervisory procedures to a broker-dealer customer based on that broker-dealer customer's position in the transaction and relationship with the ultimate customer. Control over regulatory risk management controls and supervisory procedures may only be allocated if the broker-dealer providing market access determines that the broker-dealer customer is better situated, by virtue of its relationship with the ultimate customer and access to trading information, to more effectively implement the specified controls or procedures. The Citi Electronic Trading Agreement (the "ETA") between Citi and its affiliates and its Broker Dealer clients sets out the terms and conditions under which access is granted to Citi's electronic systems. Pursuant to the terms of the ETA you have agreed to use the access to electronic trading that we provide only in accordance with applicable law, rules and regulations. Specifically but without limiting the general requirements applicable to US registered broker dealers, you are obligated to understand a client's suitability and to have conducted similar "know your customer" analyses, to avoid using the access we provide to engage in or permit wash trading, manipulation of the securities markets, and impermissible short-selling.

### Large Trader Reporting

14) *What is the large trader reporting requirement?*

Pursuant to the new SEC Rule 13h-1, a trader meeting the "Identifying activity level" below must obtain a unique identification number (LTID) from the SEC by filing Form 13H via EDGAR. Such traders must disclose to Citigroup and their other US registered broker-dealers effecting transactions on their behalf, including CORE, the LTID they have obtained and each account to which it applies. "Identifying activity level" is defined as transactions in NMS securities that equal or exceed: 2 million shares or \$20 million during any calendar day; or 20 million shares or \$200 million during any calendar month. Clients may forward their LTID to [COREcompliance@citi.com](mailto:COREcompliance@citi.com).

### Options

15) *What is a Professional Customer?*

A professional customer is defined as any non-broker dealer customer who enters a daily average greater than 390 orders during any calendar month over the preceding calendar quarter. All professional customer orders must be marked with the professional customer designation. Professional customer orders may lose priority and incur higher execution fees. If you have customers that meet this category you must contact your Relationship Manager at Citi/CORE to arrange for testing and certification of the new origin code on the fix message between us. As the routing Broker Dealer, you are responsible for identifying and tagging professional customer orders accordingly. Please refer to relevant exchange



notices for additional information regarding counting specific order types and aggregation of multiple accounts with beneficial ownership.

*16) How does the firm handle complex option orders?*

A Complex Option Order is an order containing more than one related option security which by its terms requires the execution of all of the individual components. Complex Option Orders entered with CORE must be entered on a net price basis. Your entry of a Complex Option Order with CORE will constitute your authorization that CORE may execute your Complex Option Order at the net price specified and on a "net held" basis. This means that CORE will use reasonable efforts to fill your Complex Option Order at the specified net price, but that CORE will not be held to executing any such order at a particular time during a trading day or at any price other than the net price specified.

*17) What Exchanges have adopted Joint Back Office account designations?*

Several of the US Options exchanges have adopted a JBO Origin Code: The JBO origin code is utilized for orders routed for the account of a Joint Back Office (JBO) that presently clear in the Firm range at OCC. If you have a customer that meets this category you must contact your Relationship Manager at Citi immediately to arrange for testing and certification of the new origin code on the FIX interface between us.

*18) How will CORE handle options orders trading pauses and limit states?*

When the primary exchange places a stock in a trading pause and/or limit state, CORE will systematically reject all incoming MARKET orders. Limit and Stop Limit orders will continue to be accepted and routed when a limit state is declared. For open Stop orders that convert to a Market order, the Exchange will either hold the order or reject it back to the routing firm.

*19) Will CORE accept ISO orders from Routing Broker Dealers?*

CORE does not anticipate accepting and routing ISO orders on behalf of Broker Dealer Clients. In the event that a Broker Dealer client wishes to place directed orders with an ISO instruction, CORE will require that a written attestation be obtained which clearly states that the routing client will accept responsibility for performing the necessary ISO routing functions, such as taking snapshots of the protected quotations and transmitting ISOs where necessary to execute against protected quotations. CORE does however, provide third party Order Linkage routing for several Options Exchanges. In those cases, CORE may accept and route an ISO order on behalf of the exchange.

## **DISCLAIMERS AND NOTICES**

FEDERAL LAW REQUIRES CORE TO OBTAIN, VERIFY, AND RECORD INFORMATION THAT IDENTIFIES EACH PERSON OR ENTITY THAT OPENS AN ACCOUNT. AS A RESULT, WHEN YOU PURCHASE OR SELL SECURITIES OR CUSTODY ASSETS WITH CORE, WE ASK FOR A CUSTOMER NAME, DATE OF BIRTH (FOR AN INDIVIDUAL), STREET ADDRESS AND AN IDENTIFICATION NUMBER SUCH AS A TAXPAYER ID NUMBER. WE MAY ALSO ASK TO SEE OTHER IDENTIFYING DOCUMENTS THAT WILL ALLOW US TO IDENTIFY YOU AND VERIFY YOUR ACCOUNT. WE APPRECIATE YOUR COOPERATION.

PLEASE NOTE THAT ANY CUSTOMER COMPLAINTS REGARDING ORDER EXECUTION MUST BE RECEIVED BY CORE BY THE SETTLEMENT DATE OF THE TRADE IN QUESTION.

CORE RESERVES THE RIGHT TO ADJUST THE PARAMETERS TO ACCEPT AND/OR CANCEL ALL ORDER TYPES AT ANY TIME. CORE RESERVES THE RIGHT TO REJECT ANY ORDER BASED ON RISK ANALYSIS, CAPITAL CONSTRAINTS, OR OTHER FACTORS. PERIODS OF MARKET VOLATILITY OR OTHER SYSTEM DELAYS MAY ADVERSELY AFFECT TRADE EXECUTION AND RELATED SERVICES.