

Flow Traders U.S. Institutional Trading LLC

PRINCIPLES OF DOING BUSINESS

INTRODUCTION

Flow Traders group through certain of its wholly owned subsidiaries (collectively “**Flow Traders**” or “**we**”) engages in principal trading while providing liquidity as market maker. This document describes the terms for which we provide principal liquidity to counterparties (“**counterparties**” or “**you**”). Flow Traders principal liquidity is provided to counterparties in the U.S. via Flow Traders U.S. Institutional Trading LLC (“**FTIT**”), an SEC-registered broker dealer and member of the FINRA (CRD: 282266). The below principles follow directly from our regulatory status and shall govern our relationship regardless of other contractual provisions.

PRINCIPAL TRADING AND COUNTERPARTY INFORMATION

Flow Traders acts in a principal capacity when satisfying all or part of an order or trading request, except where otherwise stated prior to a given execution. Flow Traders principal traders are responsible for determining whether, and on what terms, it will commit principal liquidity. When considering whether Flow Traders will provide liquidity to you, principal traders will consider all information regarding your order and trading profile, including your identity (“counterparty information”). Flow Traders may retain and use counterparty information in the ordinary course of its market making, principal trading and risk management activities (subject to applicable rules and the policies described in this document).

TRANSACTIONS & RELATIONSHIP

FTIT generally sources Flow Traders principal liquidity for counterparties by intermediating transactions between counterparties and its principal trading affiliates¹. Therefore, trade confirmations may state that FTIT acted in an “agency” or other intermediary capacity, even where Flow Traders affiliates provided principal liquidity on a transaction. Please contact your FTIT representative with any questions about our trading capacity.

Entering transactions with FTIT does not constitute a client relationship for either party and, unless required by applicable regulations, you cannot rely upon FTIT to fulfill your regulatory responsibilities as they relate to transacting with FTIT. In circumstances where you are acting for or on behalf of underlying third parties, FTIT identifies you as our trading counterparty, and does not imply any relationship with, or responsibilities, obligations or liabilities in respect of, such underlying third parties unless FTIT agrees to separately accept them as a counterparty.

You alone shall be responsible for deciding to enter into a transaction with FTIT and whether you are allowed to do so under applicable laws, regulations or other provisions. You alone shall be responsible for accepting the relevant elements of a transaction, including the instrument, quantity, and price. When a person reasonably appears to be your authorized representative, we rely on such appearance to enter into binding transactions with you without further inquiry.

FTIT may respond to counterparty-initiated request-for-quote (“**RFQ**”) on a one-to-one only basis in financial instruments. Following FTIT’s response to an RFQ, neither party is obliged to enter any transaction. Quotes are specific in terms of instrument, quantity, and price. A transaction only materializes if a quote is accepted by the recipient of such a quote.

FTIT relies on the accuracy of counterparty communications. However, FTIT may cancel, or amend or unwind any transaction (or elements thereof) in case of a manifest error, Force Majeure Event, Material Market Disruption Event, or a (potential) violation of applicable laws or regulations or generally accepted market practices, regardless of cause. A cancellation or correction will be binding upon both parties.

¹ Affiliates include, Flow Traders U.S. LLC, Flow Traders B.V., Flow Traders Asia Pte. Ltd and Flow Traders Hong Kong Ltd.

HELD AND NOT HELD ORDERS

FTIT does not accept held orders. A “held” order must be submitted for execution immediately upon receipt of the order, such that it is executed at prevailing market prices at the time of the order. FTIT treats any order request you submit to us as not-held, unless otherwise specified.

A “not held” order permits FTIT to exercise time and price discretion upon receipt of the order. FTIT will attempt to obtain executions as part of a not held order and pass fills back to you in an agency capacity. Acceptance of a not held order request is not an assurance by FTIT to completely fill the full size of the order, even though this may be the intention of FTIT traders. To the extent principal liquidity aligns with the terms and conditions of an order to facilitate execution, FTIT may source principal liquidity to all or part of such orders from its affiliates. We may also hedge in a principal capacity in response to your order or potential order with a view to facilitating your transaction or trading request. In addition, FTIT also may attempt to obtain executions on your behalf on exchanges, alternative trading systems (“ATS”), and non-affiliated markets via third- party smart order routers (“SOR”), in which case we will pass on fills in an agency or riskless principal capacity. Not held orders of comparable terms will generally be handled sequentially, however FTIT is not obligated to disclose information on any other counterparties’ orders being handled during similar times as your order.

When FTIT accepts an order request from you or conveys that it is “*working*” an order for you, we are only indicating a willingness to attempt to execute your requested order - we are not obliged to enter into any transaction or guarantee a full or partial execution. No transaction will result from an order request until and unless we respond to you that we have filled or executed against some or all of the order, at which point you will assume the risks associated with the filled or executed order, including market risk and credit risk.

Where you communicate an order request subject to conditions, the fact that any such conditions are satisfied does not mean that FTIT will complete the requested transaction at the requested order price or quantity level or that there exists a tradable market at that level. When working not held order requests, we will look for opportunities to provide principal liquidity which both satisfy the terms of your order and allow us to make a return on the transactions, including while executing other transactions to satisfy our own, competing trading interests and responding to competing order requests from other counterparties. We are under no obligation to disclose to you at any time that we are handling other counterparties’ order requests or that we have order requests trading ahead of, or at the same time as, your order request. We may execute transactions as part of our market making, risk management or other principal trading activities or for the benefit of another counterparty at a price that could satisfy your order, leaving your order unfilled or only partially filled.

FIXED INCOME DEALING ACTIVITIES

In the event we indicate our willingness to “*work*” your order request in fixed income instruments, we are indicating our willingness to attempt to enter into a transaction with you within the price, time and size parameters requested by you. All quotes that we provide to you are indicative, and our receipt of an order request or any indication by us that we are “*working*” an order request does not create a contract between you and us. No transaction or other contract will result from the receipt of an order request or any indication until and unless we respond to you that we have filled or executed against some or all of the requested order - at which point you will assume the risks associated with the filled or executed order, including market risk and credit risk.

Flow Traders may publish indications of trading interest to you and may suggest individual bonds or the composition of potential portfolio trades. In all cases, these communications represent expressions of Flow Traders’ trading interest. Flow Traders acts solely as an arm’s-length counterparty when trading bonds with you, and does not act as agent, fiduciary, or advisor or in any similar capacity. Any statements made by us, in the processing or execution of transactions should not be construed or relied upon as recommendations or advice and are based upon our own principal trading interests. We expect you to evaluate the appropriateness of any transaction based on the facts and circumstances relevant to your interests and professional independent assessment.

The principal-to-principal nature of our trading and our role as dealer and market-maker give rise to inherent conflicts of interest between us and our counterparties and among our counterparties with respect to whether, when, to what extent and at what prices we execute a counterparty's order request. We may have relationships with third party trading venues which we execute counterparty orders or trade requests and, as a result, may receive financial or other benefits that are not shared with you from such trading venues, including through participation in incentive programs. We may also benefit from reduced transaction costs when executing through certain venues.

As a principal trading firm, Flow Traders provides principal liquidity against competing order requests of multiple counterparties, as well as trades to satisfy our principal trading interests. As a result, we may trade with others prior to, or alongside, or execute against a competing counterparty's order request. When you indicate an interest in a potential transaction or provide Flow Traders with a request to enter into a transaction, we may use that information to engage in pre-hedging and hedging activities with a view to facilitating your potential transaction. Flow Traders only enters into such transactions as principal for our own account, not as agent for you.

AGREEMENT

Transacting with FTIT shall be valid evidence of your consent to be legally bound by the terms and conditions of this Agreement and by any other documentation agreed between us in the onboarding process governing your relationship and or setting forth terms of dealing with FTIT.

COMPLIANCE WITH APPLICABLE RULES AND REGULATIONS

All transactions entered into, executed, cleared, and/or settled with you will be subject to the rules, and regulations of the exchange, market, or clearinghouse where such transactions are executed. In no event is FTIT obligated to enter into, execute, clear, or settle a transaction reasonably believed to violate any applicable law. You will fulfill all of your obligations under applicable laws and regulations and will not breach such applicable laws or regulations.

ANTI-MONEY LAUNDERING

To help the US government fight the funding of terrorism and money laundering activities, US federal law requires US broker-dealers and other financial service providers to obtain, verify and record information that identifies each person who opens a trading relationship with us. To transact with you, we are required to collect information from you including your: (i) name; (ii) date of incorporation; (iii) business address; (iv) identification number; and (v) taxpayer identification number ("TIN"). A corporation, partnership, trust or other legal entity may need to provide other information, such as its principal place of business, local office, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement. US Department of the Treasury, SEC, and FINRA rules may already require you to provide most of this information. FTIT may not be able to open a trading relationship or effect any transactions for a counterparty that does not provide the required information or documents.

EXCHANGE-TRADED PRODUCTS

Prior to entering a transaction with us, you should carefully read the prospectus and other related documents for each ETP. Note that our affiliate FTUS engages in the creation and redemption of ETP units as part of FTUS' activities.

DISCLOSURE OF COUNTERPARTY IDENTITY AND ORDER INFORMATION

Employees of Flow Traders will be aware of the identities of counterparties that have established relationships with FTIT. Unless a counterparty specifically requests otherwise, FTIT can disclose the identity of a counterparty when communicating with an affiliate to seek a quote when sourcing liquidity to facilitate execution. FTIT and its affiliates may have access to your historical transaction data including your identity and historical order information.

TRANSACTIONS WITH INSTITUTIONAL COUNTERPARTIES

This section discloses certain trading practices that each Institutional Counterparty² hereby authorizes and instructs us to use in connection with executing transactions.

FINRA RULE 2267

BrokerCheck provides investors like you with the ability to research the professional backgrounds, business practices, and conduct of SEC-registered broker-dealers who are also FINRA members. Investors may call the BrokerCheck hotline at (800) 289-9999 and visit the FINRA website at <http://brokercheck.finra.org/>. An investor brochure that includes information describing the FINRA BrokerCheck Program is available from both sources.

FINRA RULE 5320

FINRA Rule 5320 generally permits us to trade ahead of or alongside transactions with you subject to certain notification requirements. We hereby notify you that we may trade along with or ahead of transactions with you on a principal basis at prices that could satisfy transactions with you. You have the right to opt in to FINRA Rule 5320's protections by contacting your FTIT representative.

FINRA RULE 5270

FINRA Rule 5270 generally prohibits us from trading for our own account while in possession of material non-public information concerning an imminent counterparty block transaction, and from providing such information to other counterparties for trading purposes prior to the time information concerning the block transaction has been made publicly available or has otherwise become stale or obsolete.

FINRA Rule 5270, however, permits us to engage in certain transactions despite possessing the information above including:

- Transactions that we can demonstrate are unrelated to a block trade with you.
- Transactions undertaken to facilitate the execution of a block trade with you. In these situations, we may trade ahead or alongside a block trade with you to facilitate your transaction. We will seek to minimize any market impact that our facilitation activity may have on a block trade with you.

Please contact your FTIT representative for more information about our handling of block trades with you or if you object to the terms and conditions immediately above.

SEC RULE 606

FTIT is required to publicly disclose, on a quarterly basis, its order routing practices of non-directed orders in NMS securities that are submitted on a held basis. When required, current and historical quarterly 606 reports can be found at www.flowtraders.com/institutional-trading/disclosures.³ You may request FTIT for additional information about the order routing of your orders, including the venue(s) which your orders were routed, for any order routed by FTIT within six months of the request.

SEC RULE 607

As stated above, FTIT does not accept held orders, and will treat any order you submit to us as a not-held order.

Flow Traders provides principal liquidity as a market maker on exchanges, ATSS, and non-affiliated market centers to which your orders may be routed. Flow Traders will continue to provide principal liquidity in securities which are the subject of your outstanding orders and RFQs (both as

² "Institutional Counterparty" means a Person who enters into transactions with FTIT and is: (i) an entity (e.g., a corporation, partnership, or trust) with total assets of at least \$50 million. (ii) a bank, savings and loan association, insurance company or registered investment company; (iii) an investment adviser registered either with the SEC under Section 203 of the US Investment Advisers Act of 1940, as amended, or with a state securities commission (or any agency or office performing like functions).

³ If there were no held orders submitted by FTIT for the relevant period, there will be no 606 reports published pursuant to SEC Rule 606(a). FTIT does not accept held orders and will treat any order you submit to us as a not-held order.

principal and on behalf of other counterparties). Absent specific instructions from a counterparty, FTIT may transmit counterparty orders to exchanges, ATSS, and non-affiliated market centers via third-party SORs. SORs make market center determinations based on various factors, including, but are not limited to, market latency, liquidity opportunities, fill rates and price improvement. In determining whether to execute any portion of your order against Flow Traders' principal liquidity, FTIT considers the size and price available from Flow Trades relative to the expected execution quality available from third-party market centers. If possible, FTIT will route an order to a market center that you request.

FTIT receives payments from its affiliates for facilitating trades between its counterparties and its principal trading affiliates and may receive standard liquidity rebates from market centers to which it routes orders. SEC rules require that FTIT disclose these payments to you as payment for order flow arrangements. Upon written request, FTIT can provide additional information about the source and nature of any compensation received in connection with a particular counterparty transaction.

Principal executions by Flow Traders may result in a profit or loss to Flow Traders. Any profits resulting from principal trading activity shall be in addition to any commissions charged by FTIT to you.

ERRONEOUS TRANSACTIONS

Pursuant to FINRA Rule 11890, a transaction may be deemed "clearly erroneous" when there is an obvious error in any term, such as price, number of shares, or other unit of trading, or identification of the security involved in the transaction. To the extent that an SRO or regulatory body determines that a transaction is "clearly erroneous" or should otherwise be cancelled, FTIT will be required to cancel the transaction and will not be able to honor the executed price or any other terms. In addition, FTIT reserves the right to cancel, correct or modify a transaction it deems to be erroneous in nature, even if such transaction would not be subject to modification or cancellation pursuant to a regulatory body as mentioned above.

SUITABILITY

FINRA Rule 2111 requires that FINRA members only make suitable investment recommendations to customers. We will not recommend transactions to you. You are solely responsible for assessing the suitability of any transaction that you request a quote for or enter into with us.

NET TRANSACTIONS

FINRA Rule 2124 governs net trading between FINRA members and counterparties. A "*net transaction*" means a principal transaction in which a market maker, after having received a request to buy (or sell) an equity security from you, purchases (or sells) the security at one price and then sells the security to (or buys it from) you at a different price. The price difference represents the trading profit as part of executing the transaction, accruing to us. We may transact with you on a net basis. You have the right to opt-out of net trading for your account by contacting your FTIT representative.

SEC REGULATION SHO

All transactions must comply with Regulation SHO promulgated under the Exchange Act. You agree that when you sell equity securities to us, you will appropriately designate such sale as a "Short Sale" (the sale of a security you do not own), or as "Long Sale" (the sale of a security you are deemed to own), as required under Rule 200 of Regulation SHO.

In connection with any counterparty sale transaction that results in a fail to deliver of a U.S. equity security at a registered clearing agency, we will prior to the open of trading on the first settlement day following the settlement date (in the case of short sales) or the third consecutive settlement day following the settlement date (in the case of long sales or sales attributable to bona-fide market making activity), resolve the fail by borrowing securities to make delivery or by engaging in a "buy-in" transaction through purchasing the securities in the market to satisfy the delivery obligation. We reserve the right to charge you for the cost relating such close-out transactions.

TRANSACTION CONFIRMATIONS

Where applicable, we will provide you with trade confirmations for transactions containing the information required by Rule 10b-10 under the Exchange Act. You are responsible for reviewing all transaction confirmations immediately upon receipt. You will notify FTIT, or any affiliate identified on the transaction confirmation, of any objection to the terms of the confirmation within twenty-four (24) hours of receiving it. The terms of the confirmation will be deemed accurate and conclusive unless you object within this time frame and your objection is deemed legitimate in our reasonable discretion. The trade confirmations identify you as the relevant counterparty. You may request us to include specific account details, although this does not imply that we enter into a transaction or a relationship with any underlying third party.

DVP/RVP ACCOUNT

We submit all transactions to our clearing member for settlement on a delivery-versus-payment basis ("DVP/RVP") in accordance with relevant market conventions and our standard settlement instructions.

You acknowledge that you intend to enter into transactions with us on a DVP/RVP basis. As a result, the DVP/RVP account used to facilitate your transactions should not contain funds or securities positions. By entering into this Agreement in accordance with its terms constitutes your consent to not receive quarterly statements reflecting your transactions from us. We will not provide you with quarterly statements unless you specifically request them, or otherwise revoke your consent to the suppression of such statements.

EXTENDED HOURS TRADING

You should consider the following points before engaging in extended hours trading. "**Extended hours trading**" means trading outside of "**regular trading hours**", which generally mean the time between 9:30 a.m. and 4:00 p.m. US Eastern Standard Time.

- **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular trading hours.
- **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular trading hours. As a result, a transaction may only be partially executed, or not at all, or a transaction may materialize at an inferior price when engaging in extended hours trading than during regular trading hours.
- **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular trading hours, or upon the opening the next morning. As a result, a transaction may materialize at an inferior price when engaging in extended hours trading than during regular trading hours.
- **Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, a transaction may materialize at an inferior price in one extended hours trading system than in another extended hours trading system.
- **Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular trading hours. Similarly, important financial information is frequently announced outside of regular trading hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- **Risk of Wider Spreads.** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

- **Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (“IIV”).** For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during extended hours trading sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions may be at a disadvantage to market professionals.

BUSINESS CONTINUITY

FTIT’s policy is to respond to a Significant Business Disruption (“**SBD**”) by safeguarding employees’ lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm’s books and records, and continuing to transact business with our counterparties. However, in the event of a SBD the firm might not be able to conduct business. The firm has developed a business continuity plan which described the actions the firm will take to respond to a SBD.

You can access FTIT’s current Business Continuity Plan Disclosure Statement online by visiting: <http://www.flowtraders.com/>.

COMPLAINTS

Flow Traders is required under FINRA Rule 4530 to report quarterly and statistical and summary information regarding written complaints. Please direct any complaints you have about us to:

Compliance
Flow Traders U.S. Institutional Trading LLC
1114 Avenue of the Americas, 4th floor.
NY 10036, New York.
United States of America.
compliance.newyork@us.flowtraders.com

INVESTOR PROTECTION - FINRA RULE 2266

FTIT is a member of the Securities Investor Protection Corporation (“SIPC”). Please visit www.sipc.org for more information including a brochure on SIPC protection or contact SIPC at (202) 371-8300.

LIABILITY

No party will hold the other party, or any of its employees, officers or affiliates, liable for any damages (whether direct, indirect or consequential) or any expenses regardless of cause, except in case of fraud, wilful misconduct or gross negligence regardless of cause.

FORCE MAJEURE EVENT

In the event of any failure, interruption or delay in performance of our obligations to you under transactions resulting from acts, events or circumstances not reasonably within our control, (“**Force Majeure Event**”), we shall not be liable or have any responsibility of any kind for loss incurred or suffered by you. All of our obligations in connection with transactions subject to a Force Majeure Event shall be suspended for the duration of the Force Majeure Event and any such obligation that would, but for the Force Majeure Event, have fallen due shall not fall due for the duration of the Force Majeure Event.

MATERIAL MARKET DISRUPTION EVENT

If there is any failure, interruption, impairment, pricing correction, trade cancellation or delay in performance (whether as a result of acts, events or circumstances outside our control, including interventions, acts or actions of trading venues, central counterparties or regulatory authorities, or severe market disruptions or otherwise), as determined in our discretion, of trade(s) we enter into with you or that we enter into to offset our risk related to a transaction with you, (“**Material Market Disruption Event**”) then we may amend, cancel or unwind our transaction with you.

MISCELLANEOUS

We process personal information in order to enter into and process transactions with you. Communications may be recorded, processed, stored and used by us for compliance and regulatory purposes.

No party will publicly refer to any transaction, the other party or use the name or logo of the other party without prior approval unless obliged to do so by law or a competent authority. No warranty of accuracy is given and no liability in respect of any error or omission is accepted in respect of our communications with you. All intellectual property rights, including trademarks, are those of their respective owners. All rights reserved.

The laws of the State of New York without regard to its conflict of laws principles (other than Sections 5-1401 and 5-1402 of the NY General Obligations Laws) shall govern these provisions, the Agreement, any transaction entered into under, or contemplated by these provisions and the Agreement and all matters arising in connection with these provisions and the Agreement.

The courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City of the State of New York shall have exclusive jurisdiction with respect to any suit, action or proceedings relating to any dispute arising out of or in connection with these provisions or the Agreement and any objection now or hereafter to the laying of venue of any proceeding in any of the aforementioned courts and the defence of an inconvenient forum is irrevocably waived, to the fullest extent it may be effectively done.

Whenever you engage into trading with us you agree to the terms set out above and revisions of these terms applicable from time to time available at <https://www.flowtraders.com/institutional-trading>. If you do not agree with these terms, please notify onboarding.ftit@us.flowtraders.com.

ADDITIONAL DISCLOSURE TO CANADIAN PERMITTED CLIENTS

As an investor resident in the Canadian provinces of Ontario, Québec, or Alberta, you are advised that FTIT operates under an exemption from the dealer registration requirements in your jurisdiction and, accordingly, FTIT is not relying upon any registration as a dealer or adviser in your jurisdiction when operating under that exemption. As such, you may face difficulty in enforcing legal rights you may have against FTIT because FTIT is resident outside of Canada and all or substantially all of its assets are situated outside of Canada. In transacting with FTIT, you are deemed to represent to FTIT that you are, and you will advise FTIT promptly in writing if you are no longer, a "*Permitted Client*" pursuant to National Instrument 31-103.