

SM ATS Subscriber Manual

Version: 2.0

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Introduction

This document provides information about the SM ATS (the “System”, “SM” or the “ATS”), operated by Securitize Markets LLC, including its Order Book and request for quote (“RFQ”) models.

Information contained in this document is subject to change at any time. Please refer to the Customer Service link for the latest version of the SM ATS Subscriber Manual.

How We Operate

The SM ATS facilitates the purchase and sale of Securities including Digital Asset Securities, collectively referred to as “Securities”. The ATS supports both an Order Book model and a request for quote (“RFQ”) model.

Under the Order Book model, the System operates on a price/time priority basis and offers continuous real-time matching of orders it receives.

Under the RFQ model, the SM ATS facilitates requests for quotes of Securities.

Eligible Subscribers include institutional investors (as defined in FINRA Rule 4512(c)), broker-dealers (as defined in 15 U.S. Code §78c) acting solely in a principal capacity, accredited investors (as defined in 17 CFR §230.501), and non-accredited retail investors, as applicable.

All order entry, trade related, and RFQ communications with the Platform are facilitated either via 1) electronic entry by the Subscriber via the SM ATS trading portal, or 2) API Protocol access via Subscriber's order management system.

In operating the ATS, SM conducts itself strictly in an Agency capacity. All Subscribers have equal access to the ATS and its features and functions. SM is not a party to any Transaction and does not act in a principal or riskless principal capacity with respect to any Transaction. SM does not take principal positions in Securities.

Access to the Market

Subscriber Application Process

The System shall be available for entry and matching of orders and entry of requests for quotes by Subscribers with authorized access. To obtain authorized access to the System, each Subscriber must enter into a Subscriber Agreement.

SM shall process all completed new account applications and approve or deny prospective Applicants within thirty (30) calendar days of receipt of a substantially complete application form. Specifically, SM shall, after receiving completed relevant new account opening documents and a signed Subscriber Agreement, and any additional documentation required by SM, in its sole discretion, approve or reject such application, or approve such application subject to conditions and/or restrictions as it considers appropriate.

SM shall not unreasonably prohibit or limit any person or entity with respect to accessing services offered by the System by applying its application review standards in an unfair or discriminatory manner. Subscriber activity on the ATS shall comply with the terms of the SM Subscriber Agreement and this Subscriber Manual.

Subscriber is informed that uncertificated Securities matched on behalf of Subscriber may NOT be protected by Federal Deposit Insurance Corporation (FDIC) insurance or the Securities Investor Protection Corporation (SIPC).

Tokenized Market Liquidity Risk

Markets for digital asset securities can be “illiquid,” which means there can be a lack of persons willing to trade at any one time, regardless of price. Thinly traded or illiquid markets have a potential increased risk of loss because they can experience wider spreads and low volume. Investors may not be able to find a match on Securitize Market ATS and this could make liquidating positions difficult and force you to sell at very unfavorable prices. There is no guarantee that the markets for digital asset securities will be active and liquid or permit you to establish or liquidate positions when you desire or at prices necessary to prevent losses. Investors may be forced to hold certain digital asset securities for extended periods when there is not sufficient demand. Investors may be unable to sell their digital asset securities or find liquidity on other trading venues.

Connectivity

Subscribers of the ATS are permitted to electronically send orders to buy and sell Securities or send RFQs only in the manner described above. The ATS will not accept telephone orders or RFQ communications.

All Subscribers are encouraged to implement some form of 2-factor authentication to safeguard their account.

API access follows the above format and safeguards with the additional clarity that access is controlled by an API key generated and managed by the Subscriber. This API key can be used in addition to, or as a replacement for username and password for programmatic access.

Subscribers will be responsible for safeguarding access to the ATS and for notifying the ATS upon learning that such safeguards have been compromised. All communication takes place over TLS which is a cryptographic and secure improvement over SSL.

Market Operation

Order Book Model

Hours of Trading and Trading Days

The Platform is currently available for connectivity and trading Monday through Friday between 8:00am ET and 8:00pm ET, except for U.S. Equity and Options Market holidays (each day a “Trading Session” and, collectively, the “Platform Trading Hours”).

SM ATS accepts orders outside of Platform Trading Hours, however, such orders are queued and released for trade matching at the beginning of the next Trading Session.

The Chief Executive Officer or appropriate SM Officer shall have the power to halt or suspend trading in any and all Securities traded on the ATS, to close some or all ATS facilities, and to determine the duration of any such halt, suspension, or closing, when he or she deems such action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest including special circumstances such as (1) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the ATS, (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event.

Following a trading halt or trading suspension or ATS closing, the Chief Executive Officer or appropriate SM Officer shall have the power to resume trading in any and all Securities traded on the ATS and to resume some or all ATS facilities when he or she deems such action appropriate for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

Fees and Commissions

A trade commission, based on the gross balance of each trade, will apply to secondary market transactions (ATS only).

Additional ATS fees may apply depending on the use of service. For example, fees may apply to domestic and international wires and recalls, ACH chargebacks, and credit card account funding. For a complete list of fees, please refer to the Broker Dealer Fee Schedule

<https://securitize.io/fee-schedule>. Subscriber will pay all sales and use taxes arising out of its access or use of the Services.

Securities Eligible for Trading

Trading is limited to Securities which have met the listing standards set forth by SM.

Display of Orders and Trades

All orders placed during Platform Trading Hours (Monday through Friday from 8am ET to 8pm ET) will be displayed and orders placed outside of Platform Trading Hours will queue and be displayed when the Platform next opens.

The SM Order Book priority is described as Price – Time. Orders resting on the SM Order Book receive a timestamp and are given priority at their resting price level at the time when the order is posted to the Order Book.

For more information see “Transaction Life Cycle” below.

Order Cancellation

Open orders may be canceled by Subscribers at any time. Cancel messages are processed in the order in which they are received by the System. All Cancel/Replace order types will be treated as new orders with the priority adjusted accordingly.

Order Types and Parameters

Limit Order

SM ATS only supports limit orders. A limit order is an order to buy or sell a Security at a specific price or better. If not immediately matched, this order will rest in the book maintained by SM ATS (the “Order Book”) until either matched, canceled by the Subscriber, or systematically canceled after a defined period of time (365 calendar days). Any orders held in the Order Book may be canceled or replaced prior to match.

Time in Force Parameter

Time in Force (“TIF”) is a parameter that sets the period of time that the System will hold an order for potential match. The TIF parameter for SM ATS is 365 calendar days, meaning an order that has not matched or been canceled by the Subscriber will rest in the Order Book for 365 calendar days before being systemically canceled.

Order Matching

The ATS operates a fully automated electronic book (“Order Book”) for orders to buy or sell assets (“orders”) with a continuous, automated matching function.

Matches will occur when an order to buy and an order to sell match on the Order Book, subject to “Transaction Life Cycle,” discussed below. The System will process incoming orders to the System in the sequence in which they are received. For any match to occur on the ATS, the applicable order price must be equal to or better than the highest Bid or lowest Offer in the SM Order Book.

SM reserves the right to reject or cancel an order based on regulatory, risk, or other considerations without prior notice to Subscribers.

All Subscribers will submit orders to the System from remote locations and have equal access to orders residing on the Order Book. Similarly, because orders on the ATS are anticipated to be matched automatically, no Subscriber will have the ability to control the timing of matches other than to cancel an order prior to match.

An order to buy submitted to the Order Book will be automatically matched by the System to the extent that it is priced at an amount that equals or exceeds any order to sell for the same asset submitted to the Order Book subject to the Transaction Life Cycle requirements below, and that any specific conditions elected on such order by the submitting Subscriber are satisfied. Such order to buy shall be matched at the price of the lowest-priced order to sell having priority on the Order Book.

An order to sell submitted to the Order Book will be automatically matched by the System to the extent that it is priced at an amount that equals or is less than any order to buy for the same asset submitted to the Order Book subject to the Transaction Life Cycle requirements below, and that any specific conditions elected on such order by the submitting Subscriber are satisfied. Such order to sell shall be matched at the price of the highest-priced order to buy having priority on the Order Book.

In the event that less than the full size of a resting order is matched, the unmatched size of the order will continue to reside on the Order Book, consistent with the Subscriber’s instructions. Such partially matched orders retain priority at their price level.

Transaction Life Cycle – Order Book

The steps in a typical ATS transaction, using as an example a sell order, are as follows:

Pre-transaction steps:

- Subscribers (both “Seller” and “Buyer”) open accounts with the broker-dealer operator of the Platform.
- Both Seller and Buyer open respective custodian accounts.

Transaction steps:

- Seller submits a sell order to the Platform and electronically notifies its custodian of the order sent to the Platform and instructs its custodian to settle the transaction in

accordance with the terms of the order when the Platform notifies the custodian of a match.

- Seller's order is posted on the Platform.
- Buyer submits a buy order to the Platform and electronically notifies its custodian of the order sent to the Platform and instructs its custodian to settle the transaction in accordance with the terms of the order when the Platform notifies the custodians of a match.
- Buyer's order is posted on the Platform.
- The Platform matches the orders of seller and buyer and informs the buyer and seller and their respective custodians of the matched trade after which the custodians carry out the conditional instructions and settle the trade away from the Platform.

Trading Halts – Order Book Model

SM maintains policies and procedures reasonably designed to adhere to trading halts as communicated by FINRA pursuant to Rule 6440.

When a security is halted, the System shall not settle open orders for that security. Existing, open orders shall be persisted by the System until the orders expire or are canceled.

Open orders are eligible to be canceled at any time during a trading halt.

RFQ Model

RFQ Availability

The Platform's RFQ model is generally available for connectivity and sending RFQs 24 hours a day seven days a week.

The Chief Executive Officer or appropriate SM Officer shall have the power to halt or suspend RFQs in any and all Securities on the ATS, to close some or all ATS facilities, and to determine the duration of any such halt, suspension, or closing, when he or she deems such action necessary for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest including special circumstances such as (1) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the ATS, (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event.

Following a halt or suspension or ATS closing, the Chief Executive Officer or appropriate SM Officer shall have the power to resume RFQs in any and all Securities on the ATS and to resume some or all ATS facilities when he or she deems such action appropriate for the maintenance of fair and orderly markets, the protection of investors, or otherwise in the public interest.

Fees and Commissions – RFQ

Additional ATS fees may apply depending on the use of service. For example, fees may apply to domestic and international wires and recalls, ACH chargebacks, and credit card account funding. For a complete list of fees, please refer to the Broker Dealer Fee Schedule <https://securitize.io/fee-schedule>. Subscriber will pay all sales and use taxes arising out of its access or use of the Services.

Any applicable network or gas fees will be paid by the executing market maker and shall be in addition to the purchase price displayed.

Securities Eligible for RFQ

Requests for quotes are limited to Securities which have met the standards set forth by SM.

RFQ Cancellation

RFQs may be canceled by Subscribers at any time. SM reserves the right to reject or cancel any RFQ based on regulatory, risk, or other considerations without prior notice to Subscribers. All Subscribers will submit RFQs to the System from remote locations.

With respect to time-in-force considerations, the following criteria apply:

Market Maker Response time requirements

- 500ms Response Time: A market maker server must respond to a request for a quote within 500ms. If a quote cannot be provided, the response shall be a 204 status code. The 204 status code indicates that a quote will not be provided for that particular request.

Investor Response to quote

- The quote expiration is set to one block (which is approximately one minute). This is a customizable parameter and can be changed due to user preferences.

If a request for quote is not fulfilled or a returned quote time out, a new request must be submitted to restart the process.

Trading Halts – RFQ Model

SM maintains policies and procedures reasonably designed to adhere to trading halts as communicated by FINRA pursuant to Rule 6440.

When a security is halted, the System shall not permit open RFQs for that security. Existing, open RFQs shall be persisted by the System until they expire or are canceled.

Open RFQs are eligible to be canceled at any time during a trading halt.

Safeguarding of Securities and Funds

SM ATS is non-custodial; the RFQ Model does not receive or hold Subscriber funds or digital asset securities. Rather, in accordance with the guidance set forth in the Commission's 3 Step ATS Letter, Subscribers of the RFQ model utilize digital wallets to self-custody their own digital asset securities and stablecoins and settle their transactions away from the Platform via the blockchain.

Subscribers are instructed via the Subscriber Agreement and during the onboarding process that it is their sole obligation to settle their transactions, including directing their respective custodians where applicable to settle the transaction on their behalf away from SM ATS when notified of a matched trade. Custodian services for Subscriber digital asset securities are provided by an SEC-registered transfer agent and custodian services for Subscriber funds are provided by a cash custodian. SM ATS does not guarantee or otherwise have responsibility for settling any transactions on a Subscriber's behalf and does not exercise any level of control over the digital asset securities being sold or the cash being used to make purchases other than by providing electronic notifications of matched trades to custodians for the buyer and seller as well as the buyer and seller themselves.

Transaction Life Cycle – RFQ

The steps in a typical ATS RFQ transaction, are as follows:

RFQ Interface:

- Securitize developed user interface utilizing existing UniswapX RFQ API technology.

Pre-transaction steps for the RFQ Protocol:

- Subscribers open accounts with Securitize Markets.
- Subscribers self-custody their assets in digital wallets so custodian accounts are inapplicable.

Transaction steps for the RFQ Protocol:

- Subscriber accesses the RFQ interface and connects his/her wallet custodizing the digital asset.
- Eligible Subscriber specifies amounts to trade for an asset pair, which submits a request for quote to all participating Market Makers. (Subscribers will not be able to submit requests for securities for which they are not eligible to buy.)
- Market Makers respond to the request for quote and the most competitive quote ("Winning Quote") is presented to the Subscriber for acceptance.
- If the Subscriber accepts the Winning Quote, she clicks "buy" which signs the blockchain transaction and broadcasts the event to the Market Maker who presented the Winning Quote ("Winning Market Maker"). This happens via the Platform's RFQ system which uses the UniswapX API technology.

- The Platform's RFQ system sends a message to both the Subscriber and the Winning Market Maker to transact bilaterally on the blockchain.
- The trade is settled atomically on-chain between the Subscriber and the Winning Market Maker.

Market Conduct

Subscribers are expected, in the conduct of their business and participation on the ATS, to observe high standards of commercial honor and just and equitable principles of trade. Subscribers must adhere to all applicable laws, rules and regulations and, among other things, must not:

- Enter into transactions on the ATS, enter orders, or enter RFQs that employ fictitious devices or any other form of deception or contrivance.
- Engage in any type of behavior that could adversely affect fair and orderly trading on the ATS, including degradations of its technology platform.
- Commit any act or engage in any behavior which causes or contributes to a breach of the System and/or related guidelines, which are collectively found in this Subscriber Manual, the SM Subscriber Agreement, or applicable laws, rules and regulations, by another Subscriber, or SM.

SM may monitor Subscriber usage of the System in order to identify breaches of the Subscriber Agreement or Manual, or any applicable laws, rules and regulations, disorderly or disruptive trading activities, or conduct which may involve market abuse.

SM may report such breaches as it deems appropriate to the appropriate regulatory agencies or self-regulatory organizations, without delay, and provide such regulatory bodies full cooperation in investigating and prosecuting such behavior as warranted.

Complaints and Disputes

All complaints and disputes should be directed to complianceteam@securitize.io.

Clearly Erroneous Transactions Policy

All Clearly Erroneous Transactions should be directed to complianceteam@securitize.io.

Contact Us

complianceteam@securitize.io