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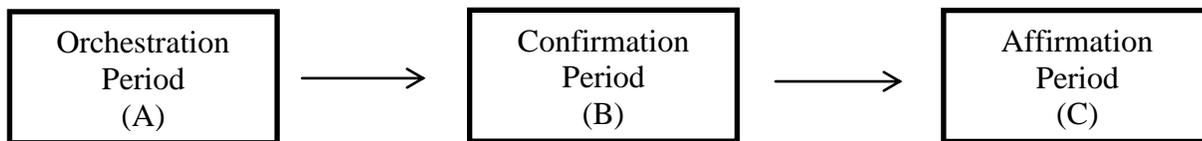
ETF Direct® – Rules of Engagement

I. Overview of ETF Direct

ETF Direct (the “System”) functions as an anonymous, negotiation tool and request-for-quote (“RFQ”) platform designed to facilitate the execution of block size trades between Cowen and Company, LLC (“Cowen”) customers (i.e. independent buyers and sellers) and various Liquidity Providers (“LPs”).¹ Participating customers and LPs access the System using unique user credentials and password protection through a standard web browser.

- LPs may interact with RFQs across all symbols or may choose to respond to RFQs according to symbol-specific lists, provided by the LP and maintained by the System;
- LPs’ attributed quotes are only visible to the Cowen trader working the RFQ;
- LPs do not post continuous quotes, rather they reply with a bid and/or offer at which they are willing to trade within specified time frames at the request of a Cowen trader²; and
- LPs are notified via the System when the Cowen trader has accepted their interest and seeks to affirm its quote.

II. Workflow, Definitions & Rules



A. Orchestration Period

The Orchestration Period begins when a Cowen trader sends an RFQ to LPs.³ The Orchestration Period is a configurable time period during which LPs can respond to an RFQ with a quote (Note: Orchestration Periods may conclude prior to the expiration of the pre-determined time period if all required responses (i.e. quotes) are received).

1. Ineligible LPs

The following conditions designate a LP as “not eligible” to provide a quote in response to an RFQ:

¹ LPs within the System must be broker-dealers registered with the Securities and Exchange Commission.

² LP quotes may be amended at any time prior to the end of the Affirmation Period.

³ A Cowen trader transmits messages to LPs asking for their best price for a given ETF in an attempt to determine the best bid/ask quotes available. The RFQ is a request for information made by the Cowen trader to LPs. The RFQ is not an order; however, an RFQ is generated in reaction to an underlying client order.

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- LP not logged in prior to the transmission of the RFQ by the Cowen trader;
- LP logged out or disconnected from the System;
- LP not opted-in for selected security; *or*
- LP suppressed from RFQ by Cowen trader.⁴

2. LP Responses

Eligible LPs can respond to an RFQ by:

- Providing a quote⁵; *or*
- Opting-out of the specific RFQ.

3. Orchestration Period Action

The Cowen trader may view quotes as they arrive, but cannot act on any quote until it becomes actionable. LP quotes become actionable once any one of the following conditions is met:

- The minimum number of quotes are received from LPs;
- Responses are received from all eligible LPs; *or*
- The Orchestration Period expires.

4. End of Orchestration Period

At the end of the Orchestration Period, LP quotes have been received and the Confirmation Period begins. The best quote (highest bid, lowest offer, with price ties broken based on earliest receipt/stand time⁶) is identified and displayed to the Cowen trader.

B. Confirmation Period

The Confirmation Period is the pre-determined, configurable time period following the Orchestration Period during which the Cowen trader determines if the best quote received is acceptable and if the client desires to interact with the best quote. During this time, LPs have the ability to change their respective quotes, which can result in a change to the displayed best quote. If the client decides not to trade, the Cowen trader will withdraw the RFQ and all LPs will receive a “Nothing Done” status on their screen. If the client confirms its desire to trade, the Affirmation Period begins.

C. Affirmation Period

⁴ If all available LPs are ineligible to receive an RFQ (i.e. no LPs remain to receive and respond to the RFQ), the Cowen trader is notified immediately by System (via a pop-up).

⁵ LPs may provide two different types of quotes in response to RFQs a straight quote or a pegged quote. Straight quotes and pegged quotes may each appear as one-sided or two-sided to the Cowen trader. LP quotes of any kind may not be priced more than 10% away from NBBO.

⁶ The System offers “stand” functionality that permits LPs to pre-determine that they will affirm (i.e. stand behind) their quotes.

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The Affirmation Period is a pre-determined, configurable time period immediately following the Confirmation Period in which the System notifies the quoting LPs that the client desires to trade and the LPs are afforded the opportunity to opt-out of an RFQ (by rescinding their quotes), affirm their quotes, or modify their quotes. If the pre-determined time period expires without a response from an LP, the lack of a response indicates that such LP does not wish to rescind or modify its quote and affirmation is assumed by the System.

1. End of Affirmation Period

Upon LP affirmation, the System, knowing the full RFQ details, will inform the LP providing that winning quote that it has won the RFQ and at what price and side. That final price is binding on both sides. All other LPs will receive a “Nothing Done” message on their screen.

D. Order Routing and Trade Consummation

Following affirmation, the System routes an anonymous AON (All or None) order only to the LP with the winning quote; *and* the LP then executes the order and reports trade to one of FINRA’s trade reporting facilities.