

# MANUAL ON TRADING DESK LIMIT GOVERNANCE AND ORDERS ALLOCATIONS

Effective day: May 2019

## Table of contents

1. Objective.....	2
2. Scope.....	2
3. Limits Governance.....	3
3.1. Limits Definition.....	3
3.2. Implementing limits.....	3
3.3. Review of limits.....	3
3.4. Monitoring and end of day reporting of limits.....	4
3.5. Pre trade limit approval for clients.....	4
3.6. Limits change template.....	5
4. Orders Allocation.....	5
4.1. Objective.....	5
4.2. Standards.....	5
4.3. Allocation process.....	5
5. Document information.....	7

## 1. Objective

J.P. Morgan Corredores de Bolsa SpA (“JPMCDB”) has an obligation to seek the best execution reasonably available for its customer orders under prevailing market conditions. In that context JPMCDB has estimated necessary to implement limits and guidelines on the allocation of orders which are described in this document, separated in two main topics:

- Governance process for approval, monitoring and reporting of cash equities trading limits governing electronic trading activity via the Telepregon HT system in Chile.
- Order allocation process.

## 2. Scope

Lines of Business	<ul style="list-style-type: none"> <li>• Corporate &amp; Investment Bank &gt; Equities</li> </ul>
Locations	<ul style="list-style-type: none"> <li>• Chile</li> </ul>
Legal Entities	<ul style="list-style-type: none"> <li>• J.P. Morgan Corredores de Bolsa SpA (“JPMCDB”)</li> </ul>

## 3. Updates

Date	Event	Key changes	Area
December 2014	First version	Describe the manual of trading limits for the entity	Comité de Riesgo Operacional
July 2017	Second version	Update of people and email address	Comité de Riesgo Operacional
August 2018	Version 2.1	Update of those responsible for limits of trading and screenshot of the system limit module. Inclusion of order allocation policy.	Comité de Riesgo y Control Corredora de Bolsa
December 2018	Version 2.2	It was included the pre-trade limit approval for clients	Comité de Riesgo y Control Corredora de Bolsa

May 2019	Version 2.3	Updates on Trading limits procedures and approvals	LERM and Operational Risk
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## 4. Limits Governance

### 4.1. Limits Definition

The limits are based on pre-trade executions and are established to prevent the trader from executing orders in the Fidessa and Telepregon HT which could be beyond the authorized activity.

The following portfolio limits will be managed by this document;

- Limit “Spread Max (%)”: Max deviation for an order from previous day “end of day price” or current “last Price”. This is only for local instruments.
- Alarm percentage: The system will alert the Head of Equity, through a message, when a trader reaches a certain percentage of any of the following set of limits:
  - Max amount per order: Defined as the maximum CLP amount per orders that can be inputted in the market.
  - Max total amount: Defined as the max amount in CLP a trader can execute (or input to the market) during the day on either side (buy and sell).
  - Max Net amount: Max notional in CLP of orders in the market (Net is equal to buy plus sells).

### 4.2. Implementing limits

Back Office will have access and may only enter new limits or change existing ones upon receipt of written approval via email from the identified Limit Change Approvers who are US Regulatory Management team, Latam Reg Management, LERM and one of the Latam Equities Business Head.

Limits are set up into Telepregon for local clients and into Fidessa and Telepregon for international ones. Only system access profile that allows maintenance of limits are able to do so.

### 4.3. Review of limits

Limits are discussed into RALCO and then presented into LCC for approval. Any temporary change to the limits has to be approved by Reg Managers Team in NY and Brazil and LERM.

Review of limits must be performed on a semi-annual basis. Limits utilization may be evaluated during these review sessions. LERM is responsible for the review and presentation.

Although scheduled frequency is semiannual, special session could be held to approve exceptions such as block trades and other special situations.

#### 4.4. Monitoring.

#### 4.5. The limits usage will be monitored through Telepregon HT. Pre trade limit approval for clients

Pre-trade is the period of trading activity that occurs before the regular market session.

##### 4.5.1. Limits definition

Clients will be categorized in two different tiers.

	Tier 1	Tier 2
Pre-trade limit in USD millions	Pension Funds.	Asset Management
	25	10

Exceptions to these two tiers might be required as such: for block trades and other special situations. Any new limit or limit increase will follow the same approval process.

#### 4.6. Fidessa limits monitoring

Hard limits to traders are set up into Pyxis (a global repository limits application). Trades above these will be automatically rejected in Fidessa.

##### 4.6.1. Limits approval

Any new pre-trade client limit or limit change should be approved by the US Regulatory Management team, Latam Reg Management, LERM and one of the Latam Equities Business Head.

The approval request should be sent by email and the following interested parties should also be included: ECS Latam, Equities Business Manager, Operational Risk, Chile Credit Risk and Chile Cash Equities Ops and Trading.

A screenshot of the Telepregon screen will be taken with the limit set up.

#### 4.7. Limits change template

Limits requests must include the name of the limit, the limit category, existing limit amount, proposed limit amount, the limit start date, rationale for the request.

**Trader Name:** Matias Sanhueza is seeking the following limit approval

**Desk Name:** Global XXX

**Rationale:** Desk requests the limit increase to accommodate additional market-making capacity for new index

**Required Response:** Approve or Reject

**Date of Approval:** XX/XX/XXXX

**Requested By:** Matias Sanhueza

**Approved By:** XX

## 5. Orders Allocation

### 5.1. Objective

To document the principle by which JP Morgan Corredores de Bolsa SpA performs the allocation process for its clients, executed in the Chilean market in order to comply with policies of JP Morgan Policies and the requirements of the local regulator, based on the methodology and operation used in the allocation of executions.

### 5.2. Standards

The allocation by JPMorgan Corredores de Bolsa SpA is carried out chronologically and in an orderly manner, always considering the right given to customers by the chronological record of orders by value, and there is no special exception regime.

JPMorgan Corredores de Bolsa SpA must not assign any operation executed in trading session to an order whose time of entry into the system, is later to the operation executed.

### 5.3. Allocation process

- Sales orders from customers carried out by JPMorgan Corredores de Bolsa SpA with a limit price will be assigned when the sale price is equal to or higher than that requested by the client.
- Purchase orders from customers carried out by JPMorgan Corredores de Bolsa SpA will be assigned when the price is equal to or less than that requested by the client.
- Purchase and sales orders in charge of JPMorgan Corredores de Bolsa SpA with a market price will be assigned according to the chronological order, including orders with a limit price, when these are within the market price.
- At the end of the round, JPMorgan Corredores de Bolsa SpA will verify that for each execution there is an Order and this information will be crossed with the preliminary

allocation list. After crossing and ordering the information, the operations will be assigned according to the information provided by the front office.

- In the case of orders that were not executed, because the execution period indicated by the client has elapsed, JPMorgan Corredores de Bolsa SpA will stop transmitting it and will request new instructions from the client.

## 6. Document information

Category	Risk			
Manual owner Primary Contact / Secondary	Juan Cruz Ocampo – LERM	Ignacio Clancy – Operational Risk		
Approver	LCC			