

ITG

The Future of Trading®

POSIT®

Where risk control meets cost control

POSIT at a glance

15 daily matches:

- 9:45 am ET, and every half hour from 10:00 am to 3:30 pm,
- After hours at 4:45 pm and 6:30 pm

One minute match window for intra-day matches

Risk controlled trading

- Sector balance
- Liquidity profile
- Tracking error
- Dollar/share imbalance

Order enhancements

- Minimum execution size (shares)
- Price limits
- Short sale exemption for certain actively traded securities²
- News and price filters
- Protection against volatility

1. Thirty seconds prior to the start of the window, the system generates a message to the system operator, who informs ITG Sales and Trading personnel that the match window will open in thirty seconds.

2. POSIT is granted a short sale exemption for listed and OTC securities that either (1) are S&P 500 Constituents or (2) have both a market cap of at least \$150M and an average daily trading value of at least \$1M. All other listed securities are subject to the uptick rule. All other OTC securities are subject to the bid test rule. The short sale exemption is for "Regular"/"Scheduled" matches only.

How POSIT works

- Buy and sell orders, including both individual stocks and portfolios, are entered into the system from many sources. Fifteen times daily—at 9:45 am, 10:00 am to 3:30 pm, and two after hours matches nightly at 4:45 pm and 6:30 pm eastern time—POSIT compares and matches all orders confidentially. POSIT intra-day matches take place within a one-minute window after the match times indicated above.¹
- Intra-day POSIT trades are priced at the mid-point of the bid/offer spread (the difference between the best seller's asking price and the best buyer's bid) in the stock's market (primary market for listed and NBBO for OTC) at the moment the match is run.
- POSIT orders can be placed through the ITG front ends such as Triton™ and Radical, the ITG Trading Desk, or through the Internet via ITG WebAccess™, various third-party options, and FIX-protocol links.
- The orders that match are automatically executed. Immediately after each match, clients receive electronic reports showing match results for their orders. Clients then decide whether to keep unmatched orders in the system for future matches or to execute them by other means.

POSIT After Hours

- POSIT after hours is an overnight cross that uses the primary market closing price for Listed stocks and the primary Nasdaq closing price (SuperMontage) for Nasdaq stocks.

Confidentiality and Cost Savings

- POSIT technology enables institutional investors and broker/dealers to trade stocks confidentially among themselves, using a proprietary algorithm to match buy and sell orders without human intervention.
- POSIT's confidentiality eliminates the unfavorable market impact that can result from trading in an open arena, which is often cited as the single largest factor in transaction costs.
- No user knows the identity of other users or knows that other orders exist.
- Midpoint pricing allows users to save half the bid/offer spread, rather than paying the entire spread as they might if trading by traditional means.
- Low commission rates provide additional savings.

Broad-based Liquidity In 2003

- POSIT matched 6.4 billion shares.
- Approximately 25 million shares are executed per day with an average execution size of 4900 shares vs. 500 for the overall market.
- The system offers exposure to an average of nearly \$1.4 billion of liquidity and over 1850 names per match.

U.S. Sales and Trading

POSIT[®]: The world's largest system for electronic trading of equities, with 13 intra-day matches and two after hours matches.

TriAct[™]: Anonymous, continuous trading with three paths to execution.

Electronic Trading Desk: A unique trading service taking full advantage of ITG's proprietary technologies. A special area of expertise is Portfolio Trading.

ITG Inc.

ITG Inc. combines agency-focused equity trading and advanced technologies to promote "best execution" at each step of the investment process. Through a network of global affiliate brokerage firms, ITG Inc. offers institutional investors a complete set of tools and services to increase investment returns by lowering transaction costs, managing risk, accessing liquidity and optimizing portfolio decisions.

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- POSIT is currently used by approximately 550 major institutions and broker/dealers.
- Users employ a variety of active, quantitative, and passive trading styles.
- Orders cover the full spectrum of the equity marketplace, spanning Listed and OTC stocks.

ITG Technology Provides Portfolio Controls

Sector Balancing: Maintain or improve sector balance with ITG's advanced sector constraint functionality. This unique feature helps maintain a sector neutral position, set maximum sector dollar or sector share constraints.

Liquidity Constraints: Maintain or improve the liquidity profile of a portfolio and manage risk by constraining the residual portfolio's volume characteristics.

Tracking Error Constraints: Use ITG's Daily Risk Model to constrain risk overnight on an absolute basis or tracking error relative to many popular indices.

Dollar/Share Imbalance: Control risk using ITG's imbalance constraints by setting maximum dollar or share constraints on an entire portfolio.

Order Enhancements

Minimum Share Protection: Place minimum execution constraints on a portfolio or on individual tickers.

Price Constraints: Limit exposure by setting price constraints on individual tickers or entire portfolios.

Advanced News and Price Filtering: These automated features, which monitor for price influencing news and volatility, are available on request for intra-day matches and are always applied after hours.³

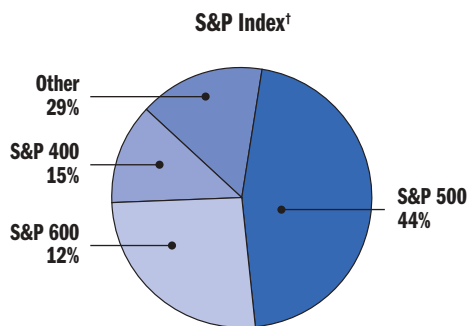
Short Sales: Certain actively traded securities executed in POSIT are exempt from the short sale rules.²

Contact Information

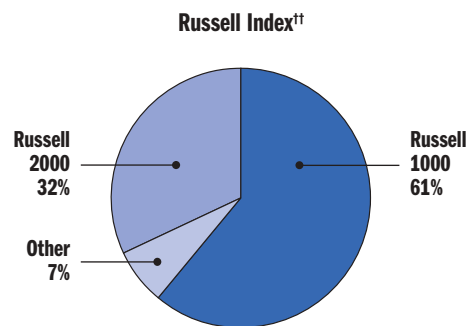
For more information on POSIT, please contact ITG Sales & Trading at (212) 444-6100 or visit www.itginc.com

3. This filtering is conducted manually and may be modified by ITG at its sole discretion.

POSIT Volume Index Distribution 2003



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