

Instinet, LLC

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Form ADV, Part 2A Brochure

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This brochure provides information about the qualifications and business practices of Instinet, LLC ("ILLC" or the "firm"). If you have any questions about the contents of this brochure, please contact us at 212-310-9500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Investment adviser registration does not imply a certain level of skill or training.

Additional information about Instinet, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Instinet, LLC is 7897.

## **ITEM 2: MATERIAL CHANGES**

There were no material changes to this brochure since its initial filing on September 29, 2016.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Firm Description**

Instinet, LLC ("ILLC" or the "firm") and its predecessor companies have provided electronic trading services in the United States for institutional clients since 1968. ILLC has been registered with the U.S. Securities and Exchange Commission ("SEC") as a broker-dealer since April 25, 1979. It is owned by Instinet Holdings Incorporated ("IHI") which is owned indirectly by Nomura Holdings, Inc. ("NHI"). NHI is a publicly traded company listed on the Tokyo and New York stock exchanges. NHI, together with its subsidiaries, is referenced herein as "Nomura" or the "Nomura Group" unless noted otherwise.

### **B. Description of Advisory Services**

As an adjunct to its broker-dealer services, the firm provides research reports and related products and services for a fee to institutional clients. These services may include any or all of the following: (1) the provision of non-customized equity research reports prepared by ILLC or its affiliates, (2) the provision of other non-particularized research-related correspondence and communications from research analysts relating to such research reports, (3) access to the research analysts for explanation and commentary on research reports and related communications, and (4) the dissemination of trading ideas in equity securities by research sales personnel (collectively, "Advisory Research Services"). Advisory Research Services, including research reports, analysts' explanations and trading ideas, are, in all cases, general recommendations. ILLC's Advisory Research Services are not rendered in relation to the securities holdings or other investments of any particular client and do not purport to meet the specific investment or trading objectives of any person receiving such services. Clients receiving Advisory Research Services are referred to herein as "Advisory Research Clients" and other ILLC clients are referred to as "Non-Advisory Clients". As pertinent, Advisory Research Clients and Non-Advisory Clients are collectively referred to as "clients".

ILLC's advisory relationships with Advisory Research Clients are strictly limited to the provision of Advisory Research Services, and any trades, transactions or orders that may be executed, routed or otherwise processed on behalf of Advisory Research Clients will be handled by ILLC solely in its capacity as a broker-dealer.

ILLC does not maintain investment advisory accounts for clients or provide discretionary investment advisory services. ILLC also does not maintain Advisory Research client assets or securities.

### **C. Availability of Customized Services to Individual Clients**

ILLC's research reports are not tailored to the individual needs of clients. ILLC may provide customized trading ideas to institutional investors, including model portfolios, based on client-specified parameters.

### **D. Wrap Fee Programs**

ILLC does not provide portfolio management services in connection with any wrap fee programs.

### **E. Assets Under Management**

ILLC does not manage client assets.

## **ITEM 5: FEES AND COMPENSATION**

### **A. Advisory Fees and Compensation**

For its Advisory Research Services, ILLC may receive a cash fee ("advisory fees"). There is no basic fee schedule for Advisory Research Services. Advisory fees may or may not be established by a written agreement. Advisory Research Services may constitute eligible research under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934 for use in connection with a client's investment decisions. Such clients may compensate ILLC for Advisory Research Services through third party soft dollar arrangements (commission arrangements entered into by a client with other broker-dealers).

All advisory fees are negotiated on a client-by-client basis and may be renegotiated at any time.

### **B. Payment of Fees**

Advisory fees are not paid in advance and are billed to clients.

### **C. Other Fees and Expenses**

Other than advisory fees (described above), Advisory Research Clients do not pay any other types of fees or expenses in connection with ILLC's Advisory Research Services. ILLC's Advisory Research Services do not include any securities trading activities, on a discretionary basis or otherwise.

Clients may choose to execute transactions through ILLC or its affiliates and, if so, will pay brokerage commissions and other transaction fees for those services, which are independent of the Advisory Research Services. ILLC's Advisory Research Clients have no obligation to send any order to ILLC for execution.

### **D. Prepayment of Fees**

Advisory Research Clients are not required to prepay fees.

### **E. Compensation for Sale of Securities, Conflicts of Interest**

ILLC's trading ideas may prompt or contribute to trading decisions by Advisory Research Clients. This could present a potential conflict of interest, as ILLC typically receives transaction-based compensation in exchange for the firm's order handling and trade execution services. Advisory Research Clients are institutions that select the broker-dealers through which they transact. They are not obligated to trade through ILLC, regardless of their use of research reports or trading recommendations obtained from us. ILLC commission charges typically are disclosed to clients on a transactional basis, and ILLC research reports contain additional disclosures concerning potential conflicts of interest.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

ILLC does not receive performance-based fees for Advisory Research Services nor does it conduct side-by-side management.

## **ITEM 7: TYPES OF CLIENTS**

ILLC's Advisory Research Clients are institutional clients, such as investment advisers, banking or thrift institutions, pensions and profit sharing plans (but not the plan participants), broker dealers, insurance companies, mutual funds, closed end funds, exchange traded funds, hedge funds, private equity funds, corporations, state or municipal government and other entities.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

ILLC's research personnel identify and rigorously analyze both financial information and strategic regional and global issues/trends that affect companies, industries and markets and, that have a meaningful impact on future investment values. In order to provide informed investment opinions, ILLC research analysts have a reasoned basis for any opinions, supported by the appropriate level of independent investigation, diligence, inquiry, analysis and judgment. Potential conflicts, both actual and perceived, may arise both internally and externally with clients, and it is ILLC's responsibility to acknowledge and manage those conflicts in a way that protects ILLC's clients and reputation.

ILLC's research sales personnel base their trading ideas on public information, including research, market or price movements, recent news stories and other events.

The research reports and trading ideas are provided on a stand-alone basis independent of any research reports or trading recommendations that may have been provided to the Advisory Research Client by others, and irrespective of the Advisory Research Client's investment or diversification objectives. Trading ideas may or may not be based upon research analyst research recommendations and at times may conflict.

Any information relating to the tax status of financial instruments discussed in ILLC's Advisory Research Services reports is not intended to provide tax advice or to be used by anyone to provide tax advice. Clients are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Further, Nomura may from time to time participate or invest in transactions with issuers of securities mentioned in trading ideas and related information prepared by individual sales personnel of ILLC, perform investment banking services for or solicit business from such issuers, and/or have a position or effect transactions in the securities or derivatives of such Nomura may have acted as a manager or co-manager of a public offering of the securities mentioned in these trading ideas and related information, and currently may make a market in such securities, and buy or sell such securities with customers on a principal basis.

### **B. Risk of Loss**

ILLC may make recommendations and provide research analyses on a wide range of securities and investments. When valuing securities, ILLC's research analysts use a variety of methods. Although the firm attempts to structure such recommendations and analyses with care, no assurances can be made that reliance on such recommendations and analyses by any client will generate positive returns. ILLC's Advisory Research Services are generally not designed to meet the objectives or needs of specific clients or accounts.

In providing Advisory Research Services, ILLC may also rely on third-party sources for information that the firm believes to be reliable, but in no way does ILLC guarantee the quality, accuracy and/or completeness of such third-party information.

If you choose to implement any of the trading ideas, investment recommendations or strategies of ILLC's Advisory Research Services, you will be subject to various risks, such as company-specific and market risks, which may result in a loss of principal invested.



## **ITEM 9: DISCIPLINARY INFORMATION**

There have been no material disciplinary events relating to ILLC's investment advisory business. Descriptions of other disciplinary actions involving ILLC and its management affiliates are reflected in ILLC's Form ADV, Part 1A, which is available at <http://www.adviserinfo.sec.gov> on the Investment Adviser Public Disclosure website, and in ILLC's Form BD, which is available at <http://brokercheck.finra.org/>.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer Registration Status**

ILLC is an SEC-registered broker-dealer and a member of FINRA and other self-regulatory organizations. Its principal business involves the provision of broker-dealer equity security brokerage services.

ILLC is a wholly owned, indirect subsidiary of IHI, which is in turn a wholly owned, indirect subsidiary of NHI, whose direct and indirect affiliates and related persons include various other broker-dealers, investment companies, investment advisers and banking organizations.

### **B. Futures Commission Merchant ("FCM"), Commodity Pool Operator ("CPO"), or Commodity Trading Advisor ("CTA") Registration Status**

ILLC is not a registered FCM, CPO or a CTA.

### **C. Material Relationships or Arrangements With ILLC's Affiliates**

ILLC representatives may suggest or recommend that clients, including Advisory Research Clients, use securities execution or other services and products offered by affiliates, purchase Advisory Research products, or purchase securities underwritten by affiliates. Moreover, where ILLC acts as sales agent for securities underwritten by affiliates, ILLC will receive a percentage of the commissions associated with such sales. In addition, sales representatives, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with selling these products, services, and securities.

ILLC addresses these conflicts through disclosure in this brochure. In addition, the firm has established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among client accounts as well as between client accounts and ILLC's business.

Certain of ILLC's management persons are registered representatives of the firm. Certain of ILLC's management persons may also hold positions with other affiliates. In these positions, those management persons may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other parts of IHI and/or NHI. Consequently, in carrying out their roles at ILLC and these other entities, the management persons of ILLC may be subject to the same or similar potential conflicts of interest that exist between ILLC and these affiliates. ILLC has established a variety of restrictions, policies and procedures designed to address these potential conflicts such as information barrier procedures and restrictions on personal trading.

ILLC has established information barrier procedures and other policies that prohibit the misuse of such information. As a result of such information barriers, ILLC personnel providing Advisory Research Services will generally not have access, or will have limited access, to information and personnel in other areas of the firm or its affiliates, and generally will not be able to manage the client accounts with the benefit of information held by these other areas. Nomura may make decisions or take (or refrain from taking) actions with respect to investments of the kind held by ILLC clients that may be adverse to ILLC clients. Information barriers may also exist between business lines within ILLC.

In addition, ILLC and its affiliates maintain one or more restricted lists of companies, whose securities are subject to certain trading prohibitions. ILLC personnel may be restricted from trading in an issuer's securities if the issuer is on the restricted lists or if ILLC otherwise has material, non-public information about the

issuer. ILLC will be precluded from issuing research reports relating to securities of issuers on the restricted list, even if it otherwise may have chosen to do so or is requested to do so by a client.

Nomura may have ownership interests in trading venues and exchanges which may provide financial incentives to recommend brokers to clients who use these venues or exchanges for the execution of client trades.

Further, ILLC and Nomura may from time to time participate or invest in transactions with issuers of securities mentioned in Advisory Research products prepared by ILLC. Nomura may perform investment banking services for or solicit business from such issuers, and have a position or effect transactions in the securities of such issuers and related derivatives. Transactions by ILLC generally are effected on an agency basis. ILLC may act as principal or riskless principal on trades to correct bona fide errors, to fulfil non-standard settlement requests, to provide ADR services and in other situations that do not involve substantial trading or investment risk. Riskless principal transactions to perform non-standard settlements are identified as principal. Nomura may have acted as a manager or co-manager of a public offering of the securities mentioned in these trading ideas and related information, and currently may make a market in such securities, and buy or sell such securities with customers on a principal basis. ILLC may act as a selling agent for Nomura when Nomura acts as manager or co-manager of a public offering.

**D. Material Conflicts of Interest Relating to Other Investment Advisers**

ILLC does not recommend or select other investment advisers in connection with its Advisory Research Services.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

ILLC has adopted a code of conduct and a code of ethics (together, the “Code of Ethics”) and various other policies and procedures designed to govern the professional activities of ILLC personnel and various aspects of their private conduct, particularly that which could present conflicts of interest between the individuals and the firm or its clients. Those compendia include policies and procedures aimed at identifying and monitoring certain types of personal investments and outside activities that may create a potential or actual conflict of interest. Every ILLC employee must receive, read and annually acknowledge in writing compliance with these policies and procedures. For example, ILLC has policies and procedures that, among other things:

1. Impose pre-clearance and reporting obligations with respect to personal trading and place limitations on personal trading by employees, such as prohibiting employees from:
  - depriving client orders of priority, precedence or best execution as a result of personal trading;
  - personal trading in a security when they have knowledge of pending or potential client orders in the security, or where they have recommended or intend to recommend a client transaction in the security on the same day or at any point through the following trading day;
  - attempting to replicate client trading strategies; or
  - trading contrary to an Advisory Research Services recommendation to a client unless they have a permissible reason for doing so.
2. Require employees to maintain accounts at designated brokers and provide initial and monthly reports of securities holdings and transaction reports;
3. Prohibit employees from violating applicable laws; and
4. Require employees to promptly report any violations of these policies and procedures to the Legal and Compliance Department.

ILLC employees may open and retain personal trading accounts in accordance only with these policies and procedures.

Clients, or prospective clients, may, upon request, receive a copy of ILLC’s Code of Ethics by contacting their client service representative or by calling the Legal & Compliance Department at (212) 310-9500 or via postal request addressed to:

Attention: Legal & Compliance Department  
Instinet, LLC  
Worldwide Plaza  
309 West 49<sup>th</sup> Street  
New York, New York 10019

### **B. Recommendations of Securities in which ILLC or a Related Person Has a Material Financial Interest**

Nomura entities may invest for their own account in securities that are subject to Advisory Research Services. Transactions by ILLC generally are effected on an agency basis. ILLC may act as principal or riskless principal on trades to correct bona fide errors, to fulfill non-standard settlement requests, to provide ADR service and

in other situations that do not involve substantial trading or investment risk. Riskless principal transactions to perform non-standard settlements are identified as principal.

ILLC may recommend to Advisory Research Clients securities in which ILLC or an affiliate also invests or otherwise has a material financial interest (including securities of Nomura), or make such recommendations at or about the same time that ILLC or Nomura may buy or sell securities for its own account. In order to address any potential conflicts of interest, ILLC has established information barriers designed to prevent personnel outside of its research division from obtaining advance knowledge of any pending changes in ratings, price targets or estimates by its research division. ILLC has established policies and procedures which generally prohibit research analysts from owning, purchasing or selling any securities with respect to which he or she provides Advisory Research Services. When limited exceptions to these policies and procedures are made, disclosure of such fact is made in the written research report of that security.

ILLC, through its research and research sales personnel, may suggest or recommend that Advisory Research Clients also use ILLC's execution or other services, or similar services offered by affiliates. Similarly, research and research sales personnel may suggest or recommend that Advisory Research Clients purchase ILLC products or products of an affiliate. Where ILLC's or its affiliates' services are used or products are purchased by Advisory Research Clients, ILLC and its affiliates may receive additional fees and compensation. Research and research sales personnel may, as permitted by applicable law, also receive compensation (the amount of which may vary) in connection with these products and services. Compensation received in connection with clients' purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through ILLC or its affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees.

### **C. Conflicts of Interests in Trading and Management**

As a broker-dealer effecting transactions on behalf of clients, including those clients who receive Advisory Research Services, ILLC or an affiliate may act as agent or as principal for its own account, as permitted by applicable law. (Transactions by ILLC generally are effected on an agency basis. ILLC may act as principal or riskless principal on trades to correct bona fide errors, to fulfill non-standard settlement requests, to provide ADR services and in other situations that do not involve substantial trading or investment risk. Riskless principal transactions to perform non-standard settlements are identified as principal. Similarly, ILLC or an affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction (agency cross transactions). In addition, ILLC or its affiliates may have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of its business as a broker-dealer. ILLC and/or its affiliates may profit from these positions or transactions in securities. Transactions by ILLC generally are effected on an agency basis. ILLC may act as principal or riskless principal on trades to correct bona fide errors, to fulfill non-standard settlement requests, to provide ADR services and in other situations that do not involve substantial trading or investment risk. Riskless principal transactions to perform non-standard settlements are identified as principal.

To the extent ILLC has a brokerage relationship with an Advisory Research Client to whom it provides customized Advisory Research Services, it may execute principal or agency cross transactions for the client at its discretion, provided it obtains prior written consent from the client in accordance with Rule 206(3)-2 under the Investment Advisers Act of 1940. You should note that ILLC, as a broker-dealer, may buy or sell securities, for clients or the firm, in a manner that may be different than recommendations included in ILLC's research reports, research sales material or trading ideas.

ILLC addresses these conflicts through disclosures in this brochure and internal controls designed to identify and manage appropriately potential conflicts of interest – both those arising between and among client accounts as well as between client accounts and ILLC's business. For example, ILLC personnel also are subject to personal trading restrictions as detailed in its policies and procedures and Code of Ethics. These policies

and procedures and the Code of Ethics require ILLC research and research sales personnel to pre-clear certain securities transactions, disclose their investment accounts, and provide or cause ILLC to receive annual holdings reports and quarterly transaction reports.

## **ITEM 12: BROKERAGE PRACTICES**

ILLC's Advisory Research Services do not include execution services.

ILLC does not select broker-dealers with respect to trades placed by Advisory Research Clients, however, it may suggest or recommend that such clients use its securities execution or other services, or such services of an affiliate. ILLC's Advisory Research Clients select the firm through which they execute trades, and have no obligation to trade through ILLC.

### **ITEM 13: REVIEW OF ACCOUNTS**

ILLC does not maintain client advisory accounts and does not provide personalized investment advice with respect to investment portfolios or the management of assets. Accordingly, there are no periodic reviews.



## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits for Providing Services to Clients**

#### **Compensation to Financial Intermediaries, Consultants and Other Third Parties**

The Nomura Group may have a variety of banking, financial, or service relationships with the unaffiliated issuers of the securities covered by ILLC's Advisory Research Services. Those relationships may include Nomura acting as an underwriter for the issuers of the securities covered by the Advisory Research Services, and they may result in compensation of Nomura Group affiliates. In such relationships, ILLC may receive compensation. ILLC discloses in its research reports, in accordance with applicable law and regulation, its conflicts of interest and those of its research analysts that are or may be material in the context of the relevant report. In addition, the research and research sales departments have extensive policies and procedures regarding potential conflicts of interest affecting supervised personnel.

ILLC does not receive any economic benefit from persons other than Advisory Research Clients for providing Advisory Research Services to such clients.

### **B. Direct or Indirect Compensation for Client Referrals**

ILLC does not compensate any person for Advisory Research Client referrals, other than associated persons subject to the firm's system of supervision.

## **ITEM 15: CUSTODY**

ILLC does not maintain custody of advisory client funds or securities in connection with its Advisory Research Services.

## **ITEM 16: INVESTMENT DISCRETION**

ILLC does not have discretionary authority to manage securities on behalf of Advisory Research Clients. ILLC's Advisory Research Clients make their own investment decisions.

### **ITEM 17: VOTING CLIENT SECURITIES**

With respect to Advisory Research Services, ILLC does not have authority to vote proxies.

## **ITEM 18: FINANCIAL INFORMATION**

ILLC has no financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.