

## Compliance Notices

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### **Best Execution**

Bloomberg Tradebook LLC seeks to execute all orders at the most favorable terms reasonably available under prevailing market conditions.

### **Regulation NMS: Order Protection Rule**

Regulation NMS includes new substantive rules that are designed to modernize and strengthen the regulatory structure of the U.S. equity markets. First, the "Order Protection Rule" requires trading centers to establish, maintain, and enforce written policies and procedures reasonably designed to prevent the execution of trades at prices inferior to protected quotations displayed by other trading centers, subject to an applicable exception. Bloomberg Tradebook Systems have been designed to comply with Reg NMS regulations.

### **Selling Securities “Long”**

When you enter a securities as “long” in the Bloomberg Tradebook LLC System you are representing to us that you own the security and will deliver it in good form by settlement date.

### **SEC 204**

On July 27, 2009, the SEC voted to adopt Rule 204, the “Close-out Requirement,” of Regulation SHO on a permanent basis, effective July 31, 2009.<sup>1</sup> New Rule 204 is substantially the same as Rule 204T which the SEC adopted on an interim basis on October 14, 2008 and was set to expire on July 31, 2009. Among other things the rule requires that any fail to deliver position (sold short) be closed out by the open of trading on T+4. Though Bloomberg Tradebook LLC, in conjunction with our clearer Credit Agricole Securities (USA) Inc. try to minimize any impact from a failed trade, our clearing firm Credit Agricole Securities (USA) Inc. maybe required to purchase buy-in shares to cover your failed position.

## **Account Protection**

Bloomberg Tradebook LLC. is a member of the Securities Investor Protection Corporation (“SIPC”). SIPC plays an important role in the overall system of investor protection in the United States. For more information about SIPC, including a brochure entitled How SIPC Protects You, please contact SIPC at:

Securities Investor Protection Corporation  
805 15<sup>th</sup> Street NW, Ste. 800  
Washington, DC 20005-2215  
Tele: (202) 371-8300  
Fax: (202) 371-6728  
Email [asksipc@sipc.org](mailto:asksipc@sipc.org)  
Website: [www.sipc.org](http://www.sipc.org)

## **Investor Protection/Education**

Bloomberg Tradebook LLC. is a member of FINRA ([www.finra.org](http://www.finra.org)). The FINRA Regulation Public Disclosure Program publishes an investor brochure that is available by contacting Public Disclosure at Telephone: 800.289.9999 or can be accessed at the above website.

## **New Account Procedures**

THE USA Patriot Act was adopted to prevent money laundering and terrorist financing require all U.S. financial institutions to obtain, record and verify information that identifies each individual or entity that opens an account. When you open an account with us, we will ask you for your name address, an identification number (for U.S. firms this means an employer identification number).

In addition, you may be required to provide identification documents as necessary to enable the Firm to verify your identity. We may also screen your name against various databases to verify your identity. All information and documentation will be treated in a manner so as to protect your privacy.

We are required to verify the identity of our customers. In certain circumstances we may not be able to open an account or conduct any transactions for you until we have obtained and verified the necessary identification information.

## **Business Continuity plan: (“BCP”)**

We plan to quickly recover and resume business operations after a SBD (Significant Business Disruption) and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm’s books and records, and allowing our clients to transact business. In short, our BCP is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the SBD.

Our BCP addresses: data back up and recovery; mission critical systems; financial and operational assessments; alternative communications with clients, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our clients prompt access to their funds and securities if we are unable to continue our business.

Our clearing firms Credit Agricole Securities (USA) Inc. and SetClear Pte, Ltd attest that they back up important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, our clearing firms have advised us that their objective is to restore their operations and be able to complete existing transactions and accept new transactions and payments within 4 hours. Your orders and requests for funds and securities could be delayed during this period. In addition, our parent company, Bloomberg LP backs up our important records in a geographically separate area. Bloomberg Tradebook participates in a corporate-wide BCP of our parent company Bloomberg LP.

**Varying Disruptions** – SBDs can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 4 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within 24 hours. In either situation, we plan to continue in business. We will use all available means of communication to notify our clients. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer’s prompt access to their funds and securities.

**Contacting Us** – If after a significant business disruption (“SBD”) you cannot contact us as you usually do at (212) 617-7070 or 44-207-330-7099 (Europe) and 65-6212-9788 (Asia) you should call our alternative number (212) 318-2000. Alternatively, contact our clearing Brokers as follows:

### **U.S. Equities**

Clearing Firm: Credit Agricole Securities (USA) Inc. at (212) 261-7000

## **Global Equities**

Clearing Firm: SetClear Pte, Ltd. at

(North America) email:Services@SetClear.com (866) 738-2531

(Europe) email:Services@SetClear.com (+44) 8412-8415-86

(Asia Pacific) email:Services@SetClear.com (+65) 6505-1111

For a full list of contact numbers go to TBDI <GO> on the Bloomberg Terminal.

**For more information** – If you have questions about our business continuity Planning, you can contact John Byrne at (212) 617-3917. These plans are subject to modification. As necessary, any updates will be made and posted to our website ([www.bloombergradebook.com](http://www.bloombergradebook.com)).

## **Customer Complaints - Sec Rule 17a-3(a)(18)(ii)**

In accordance with SEC Rule 17a-3(a)(18)(ii), please be advised that customer complaints may be directed to the following address and/or telephone number:

Bloomberg Tradebook LLC

731 Lexington Avenue

New York N.Y. 10022

Attn: Compliance Department

(212) 617-4345

## **SEC Rule 605 and 606**

View SEC Rule 605 and 606 data at <http://www.marketsystems.com> for free. For more information regarding our overall execution quality, including independent execution analysis provided by Abel Noser, please contact Bloomberg Tradebook's Director of Research and Strategy, Gary Stone at +1-212-617-2297.

## **Restricted Stock Sales**

Under the Securities Act of 1933, restricted stock may be offered or sold only pursuant to an effective registration statement filed with the SEC, or pursuant to an exemption from the Act's registration requirements. In 1972, the SEC adopted Rule 144 which provides a safe harbor for resale of restricted and control stock and provides an exemption from registration. Clients may not enter orders to sell restricted stock on the Bloomberg Professional Service through the **BLOOMBERG TRADEBOOK** System without contacting a Bloomberg Tradebook Sales Trader directly.

## **Clearly Erroneous Transaction Policy**

Bloomberg Tradebook's Clearly Erroneous Transaction Policy is intended to preserve the integrity of trades executed within the Bloomberg Tradebook System (the "System") and to provide guidance regarding the principles and parameters whereby trades executed within the System are generally considered for review. Bloomberg Tradebook's Clearly Erroneous Trade Policy applies only to transactions executed within the System.

Transactions resulting from orders routed to other market centers are subject to the erroneous transaction policies of the market center in which the transactions are executed. A "clearly erroneous" transaction is an execution on an order that was entered in error and at a price substantially away from, or inconsistent with, the prevailing market for that security at the time of execution. If a client receives an execution of an order that was entered in error, the client should submit a request to review the transaction within 30 minutes of execution of such transaction. Requests received after such time period may be reviewed depending on the facts and circumstances surrounding such request. However, Bloomberg Tradebook reserves the right to decline to review any request submitted more than 30 minutes after execution. Bloomberg Tradebook shall have sole discretion over what constitutes a clearly erroneous transaction and shall have the authority to cancel or modify any transaction it deems to be clearly erroneous. Bloomberg Tradebook will make a final determination as quickly as possible after initiating a review and will promptly provide oral notification to the parties involved in the transaction at issue. In all cases, Bloomberg Tradebook will make a final determination prior to the open of the next trading day following the review. Bloomberg Tradebook reserves the right to initiate a review of a transaction, regardless of whether a client request has been submitted, if it determines in its sole discretion that circumstances warrant such a review. Such circumstances include, but are not limited to, system malfunctions (either internal or those in another market center affecting all market participants) or regulatory inquiries. In such instances, Bloomberg Tradebook has the right to cancel such transaction and notify both affected parties after the fact. All transactions will be reviewed on a case-by-case basis and consideration will be given to the circumstances surrounding the transaction. Factors other than price we may consider include, but are not limited to, price volatility of the security, relative volume of the security, new highs or lows created, pre-market or after-hours execution, overall market conditions, locked/crossed markets, news released on the security, trading halts, and notification time to review the transaction.

### **Payment for Orderflow – US Equity Option Only**

We may receive payment for routing your options orders to designated broker/dealers or market centers for execution. Compensation is in the form of a per contract cash payment. The source and amount of any compensation received in connection with your options transaction and any additional information concerning the options order flow payments will be furnished to you upon written request. Order routing decisions maybe based on a number of factors including the size of the order, the opportunity for price improvement and the quality of order executions. However, we regularly review routing decisions to ensure that your orders meet our duty of best execution.

### **Transactions Reviewed by Bloomberg Tradebook LLC**

In the event of a System malfunction, Bloomberg Tradebook LLC in its sole discretion may declare transactions resulting from such malfunctions to be clearly erroneous and may modify or cancel such transactions.

## **Extended Hours Trading Risk Disclosure**

**Risk of Lower Liquidity:** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

**Risk of Higher Volatility:** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be a greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.

**Risk of Changing Prices:** The prices of securities traded in extended hours trading may or may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As a result, you may receive an inferior price in extended hours trading than you would during the regular market hours.

**Risk of Unlinked Markets:** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

**Risk of News Announcements:** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

**Risk of Wider Spreads:** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

## **Options Disclosure Document**

### US Equity Options

Our firm has made available to all our US equity Option clients the most recent version of the ODD (Characteristics & Risks of Standardized Options) with supplement dated

March 2011. If you would like to download a free copy please visit the hyperlink below or contact John Byrne at 212.617.3917

<http://www.optionsclearing.com/about/publications/character-risks.jsp>

### Canadian Equity Option

our firm has made available to all our US equity Option clients the most recent version of the CDCC (Characteristics & Risks of Canadian Options) with supplement dated September 2010. If you would like to download a free copy please visit the hyperlink below or contact John Byrne at 212.617.3917

[http://www.cdcc.ca/f\\_en/Options\\_Disclosure\\_Document.pdf](http://www.cdcc.ca/f_en/Options_Disclosure_Document.pdf)

### **15c3-5 Disclosure**

The Securities and Exchange Commission recently adopted Rule 15c3-5, "Risk Management Controls for Brokers or Dealers with Market Access" ("Market Access Rule" or "Rule"). The Rule requires broker-dealers to establish, document and maintain a system of risk management controls and supervisory procedures that are reasonably designed to systematically limit the financial exposure of the broker dealer that could arise as a result of market access and ensure compliance with all regulatory requirements that are applicable in connection with market access. Sections of the Rule became effective on July 14, 2011.

Rule 15c3-5(d)(1), allows broker/dealers to allocate responsibility for certain regulatory risk management controls and related supervisory procedures to clients that are also broker-dealers. In certain circumstances our broker/dealer clients are in a better situation to implement the controls (due to their proximity to the end client). Since Bloomberg Tradebook LLC is not in a position to know the end client and how/what they trade, we are providing notice that the following responsibilities are being allocated to your firm. This notice is consistent with previous representations made by your firm in the "Tradebook Agreement".

To the extent applicable your firm has policies and procedures in place that are reasonably designed to detect and prevent violations in the following areas:

- AML (Anti-Money Laundering) including but not limited to customer identification procedures (CIP) and know your customer (KYC) rules.
- Market manipulation and the use of manipulative, deceptive or fraudulent devices (including SEC 10b—5)
- Insider Trading and information barriers
- Prevention on the entry of orders in securities that the customer /Firm are restricted from trading.

- Controls to prevent unauthorized use of your systems
- Controls to prevent erroneous or duplicative orders
- Annual Certification of Compliance and Supervisory Processes
- Compliance with odd lot and special order types offered by Exchanges.
- Regulation SHO
- Best Execution

If your Firm does not have procedures in place addressing one of the above topics please notify the Tradebook Compliance Team immediately so that the matter can be discussed.

\*Please note that Bloomberg Tradebook reserves the right to route market orders as aggressive limit orders in an effort to protect customers.

### **SEC Rule 13h-1 Large Trader**

In essence, a “large trader” would be defined as a person whose transactions in NMS securities equal or exceed (i) two million shares or \$20 million during any calendar day, or (ii) 20 million shares or \$200 million during any calendar month.

Tradebook reminds firms that it is their responsibility to register with the SEC if they qualify as a large trader and to provide that id (LTID) to their Brokers. Please contact your Tradebook rep or compliance directly at 212.617.8554.

### **FINRA Broker Check**

In accordance with the Financial Industry Regulatory Authority conduct rule pertaining to investor education and protection, we are providing our clients with the following information.

- The FINRA Broker Check Hotline telephone number is 800-289-9999.
- The FINRA website address is [finra.org](http://finra.org).

For a copy of a brochure that includes important information concerning FINRA Broker Check, call the FINRA Broker Check Hotline or visit the FINRA website at [finra.org](http://finra.org).

### **Futures Accounts**

The National Futures Association (NFA) requires that we notify you in writing regarding NFA's Background Affiliation Status Information Center (BASIC). BASIC contains Commodity Futures Trading Commission (CFTC) registration and NFA membership information and futures-related regulatory and non-regulatory actions contributed by NFA, the CFTC and the U.S. futures exchanges. BASIC can be accessed at the NFA website [www.nfa.futures.org](http://www.nfa.futures.org) or you can contact the NFA at (800) 621-3570 for additional information.

SIPC does not cover commodity contracts and options on futures.