Fidessa

Compliance

for US broker dealers

Buy-side Solutions . Connectivity . Sell-side Solutions

Overview

Fidessa is committed to providing comprehensive US compliance solutions. This commitment includes a full-time Compliance Director who monitors the regulatory environment to identify, evaluate and address new and amended rules and regulations.

Fidessa's products provide automated, systematic compliance with Securities and Exchange Commission (SEC) and Self-Regulatory Organization (SRO) rules related to trading equities, options and baskets; over 100 on-line exception and audit reports, and risk management tools.

The scope of regulations covered includes:

- Best execution
- Trade reporting
- Limit order protection
- Limit order display
- OATS
- OTS
- Regulation SHO (Reg SHO)
- Regulation NMS (Reg NMS)

Fidessa publishes client advisories describing upcoming regulatory changes and its response to these changes. Fidessa also consults with clients to ensure its compliance solutions are best–in-class.

For major market changes (such as Reg NMS), Fidessa holds monthly conference calls with its clients to ensure that proposed implementations are correct, usable and well understood.

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Best Execution

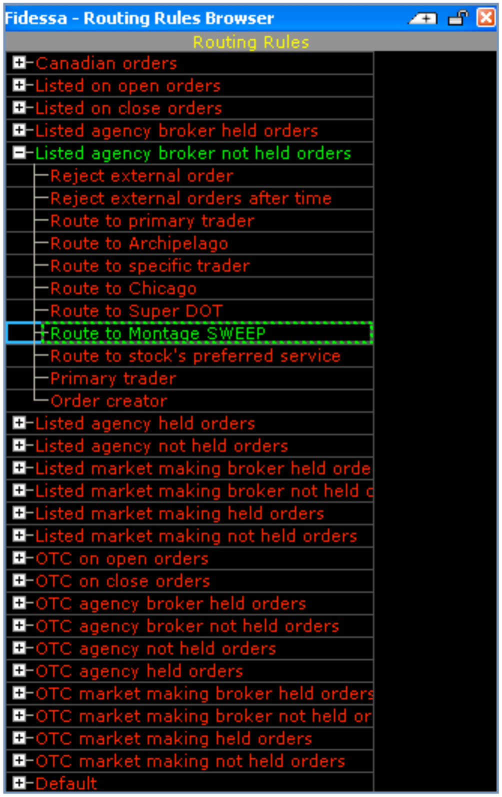
Fidessa's advanced routing algorithm allows users to choose on-the-fly to route orders automatically based on executability, security, size, ADV, sector and stock client, etc.

The lit and dark smart order router finds hidden liquidity and can take into account the cost of access.

The internal crossing engine can automatically cross orders or simply alert users to potential crosses. By default, it is configured to cross held orders with limit orders at improved prices.

The advanced trade allocation engine automatically splits trades between orders, supporting a number of compliant allocation methodologies for handling multiple orders such as trade along until flat.

Fidessa can automate the sending of order and execution files to 3rd party best execution reporting services such as TAG or MSI.



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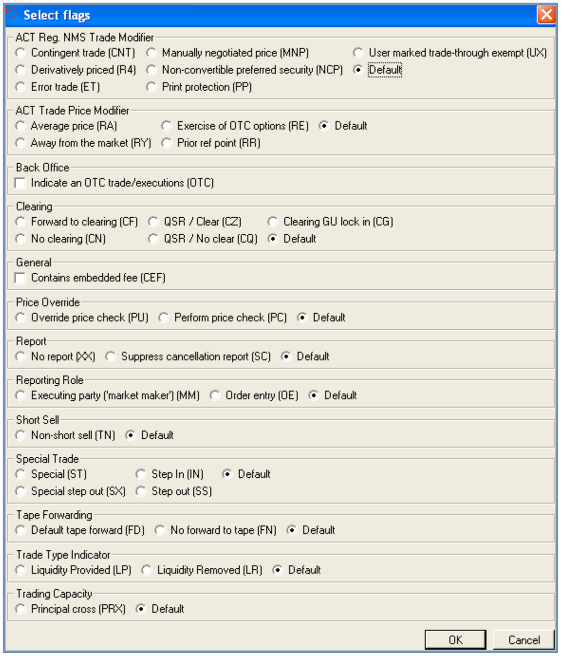
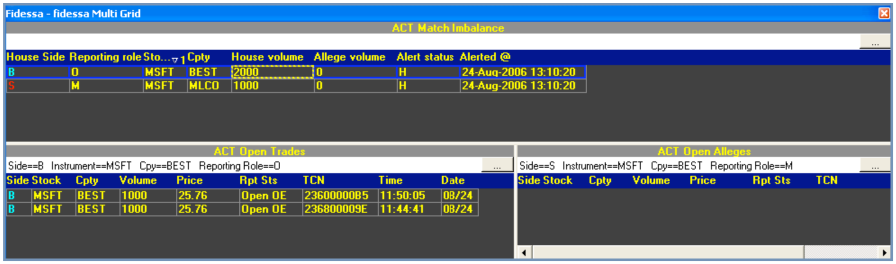
Trade Reporting

Eligible trades are automatically reported to ACT including all ACT modifiers. Where sensible, Fidessa automatically defaults modifiers, however users may also enter trades and modifiers manually.



- Inbound and outbound QSRs, give-ups and attachment 2s are supported

- ACT functionality allows the user to browse historical trade information, match trades, amend trades and view any unmatched executions where the contra FINRA member party has reported different trade details than the customer



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Limit Order Protection (Manning)

Fidessa automatically complies with FINRA rules against trading ahead of client limit (Manning) and market orders. These rules are in place for NMS, OTC Bulletin Board, Pink Sheet and other OTC stocks.

- Fidessa determines when the firm has traded on a proprietary basis at a price that would satisfy a customer order for all equity securities

- Orders are automatically filled as applicable, on an agency or riskless basis, taking into account price improvement standards

- Market orders are automatically crossed with market orders, marketable limit orders, or non-marketable limit orders when orders are priced better than the best bid or offer received by the member on the other side of the market. The crossing occurs up to the size of such an order and at a price that is no less than the best bid and no greater than the best offer at the time the subsequent market order, marketable limit order or non-marketable limit order is received by the member and that is consistent with the terms of the orders.

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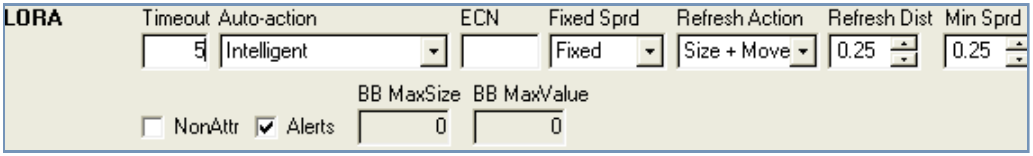
Limit Order Display

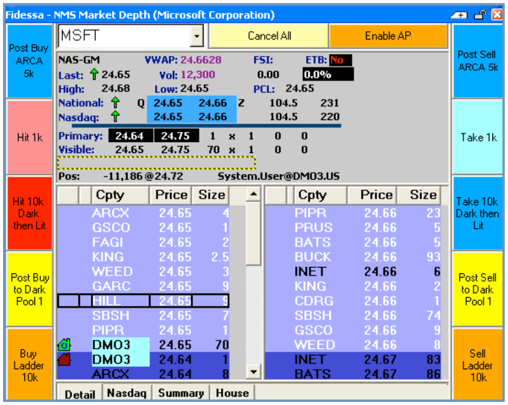
Users can configure the system to automatically display, execute, or route limit orders immediately as required by the SEC's limit order handling rules.

Fidessa offers 'intelligent action' for such orders that route marketable orders to the Fidessa smart order router, and displays non-marketable orders on either an attributable or non-attributable basis as supplemental quotes that will not interfere with proprietary quotes.

If warranted by the customer's business model, the system can be configured to wait for a short period of time before displaying, executing or routing the order. This pre-set time period allows traders time to interact with the order to take action to exempt the order from display if necessary.

Market making quotes (primary) and customer held orders (visible) are automatically managed in the market depth by showing the quotes in the Level 1 and Level 2 data





OATS and OTS

FINRA rules 7400 through 7470 (the OATS rules) are satisfied by electronically capturing and reporting to OATS all required order data on all specified events in the life-cycle of each order for NASDAQ listed and OTC equity securities.

FORE files are sent at the end of each trading day directly to the FINRA OATS facility.

The OATS time synchronization requirements are met by matching the system time to the National Institute of Standard's atomic clock.

Global, dually-listed stocks are reported using the OTC Bulletin Board or Pink Sheet equivalent with a real-time FX rate.

A complete and real-time audit trail reflects material actions taken regarding orders and trades.

Audit Trail

Time	Event text	Reason text	Entered by	Bid	Ask	Volume
31-Aug 13:49:08	Entered client buy 15000 ACAT at market		Adam.LevyD@DMO3.US	7.68	7.75	26,095
31-Aug 13:49:09	Routed to trader Adam.LevyD@DMO3.US	Routed by rule	OMAR	7.68	7.75	26,095
31-Aug 13:49:25	Split 2500 to ARCA as child order 0000001339		Adam.LevyD@DMO3.US	7.69	7.76	26,195
31-Aug 13:49:25	[C] Entered fill buy 1000 ACAT at 7.760USD wi		EXPRESS	7.69	7.76	26,195
31-Aug 13:49:25	[C] Entered fill buy 1000 ACAT at 7.760USD wi		EXPRESS	7.69	7.76	26,195
31-Aug 13:49:25	[C] Entered fill buy 500 ACAT at 7.760USD with		EXPRESS	7.69	7.76	26,195
31-Aug 13:49:34	Replaced with client buy 25000 ACAT at marke		Adam.LevyD@DMO3.US	7.69	7.76	26,195
31-Aug 13:49:38	Split 22500 to VWAP on BLUEBOX as child orde		Adam.LevyD@DMO3.US	7.69	7.76	26,195
31-Aug 13:49:38	[C] Entered fill buy 10 ACAT at 7.690USD with		NMS	7.69	7.76	26,195

OTS reports conforming to NYSE rules are created on a daily basis. Daily files are provided along with a NYSE OTS extraction tool that can be used when the NYSE requests specific OTS reports.

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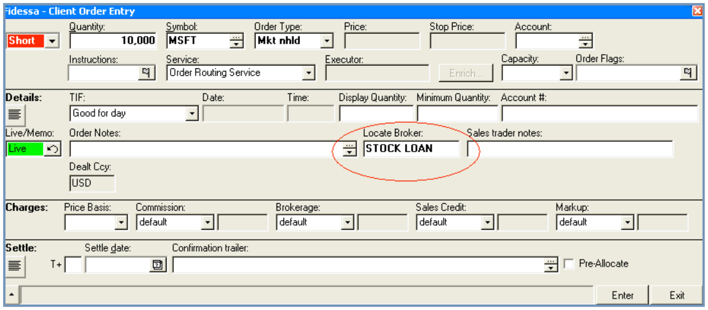
Reg SHO

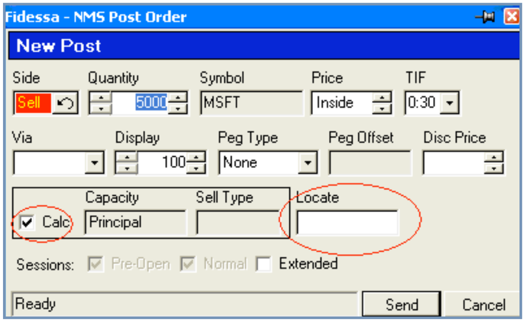
The SEC adopted Reg SHO for the regulation of short sales in securities. According to the SEC, some of the goals of Reg SHO include:

- Establishing uniform locate and close-out requirements in order to address problems associated with failures to deliver, including potentially abusive naked short selling

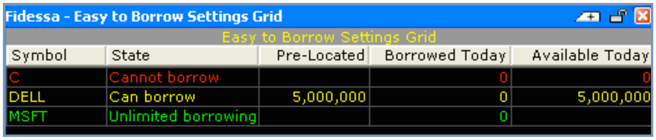


- Temporarily suspending commission and short sale price test
- Creating uniform order marking requirements for sales of all equity securities

Fidessa automatically marks proprietary sell orders and trades as short when required by Reg SHO based on the firm's position



The easy-to-borrow list tracks how many shares are available and decrements automatically



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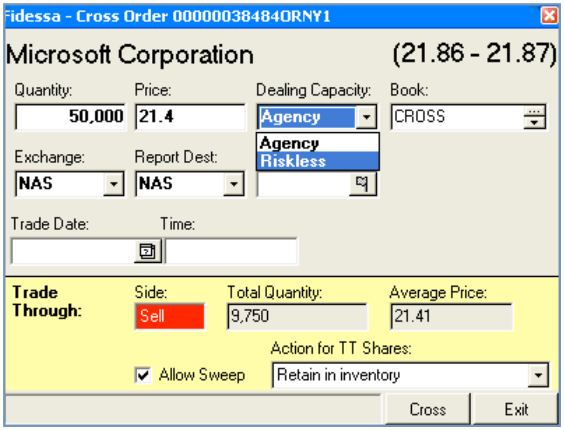
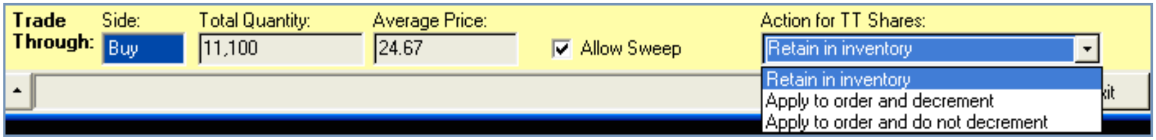
Reg NMS

The Reg NMS order protection rule is supported by preventing orders from being principally filled or crossed at a price that trades through protected quotes without a valid exemption set forth by the SEC. Fidessa can declare self-help on behalf of clients and provides Reg NMS exception reports including a market data latency report and protected quote snap shots.



- When a sweep is required, the order is executed and required inter-market sweeps (ISO) are automatically routed out
- The user may choose whether the executions that result from the ISO orders are given to the client order or are taken into a principal book



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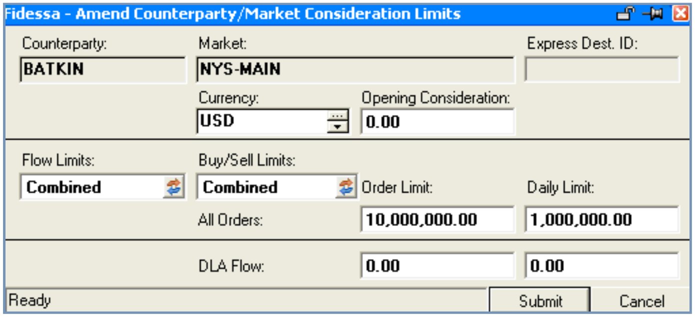
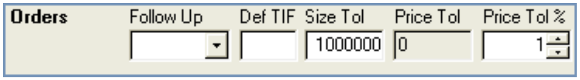
Pre-Trade Risk Management

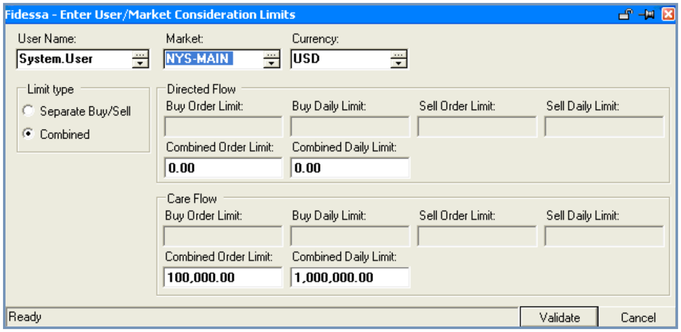
The counterparty limits grid, sets limits for each client by order and for the day. Firms are alerted when the client exceeds the warning threshold; if the client subsequently exceeds the error threshold the orders are rejected.

Fat-finger price and size checks are available per stock





The trader limits grid sets limits for each trader by order and for the day. Traders can't exceed this when accessing the markets



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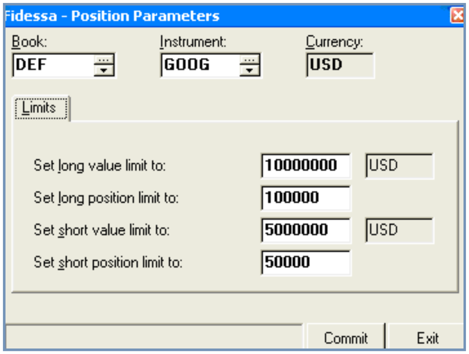
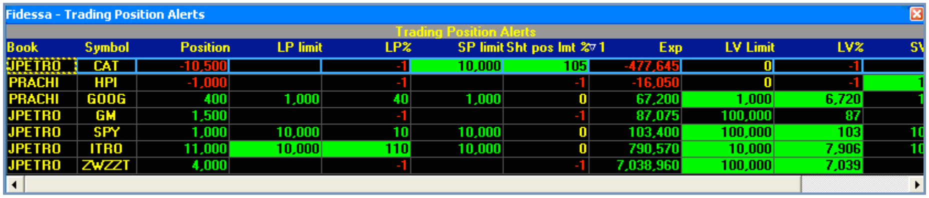
Post-Trade Risk Management

Position limits can be set at the stock, book, or user level



The trader and management can be alerted when a position limit has been breached



Management has access to every position within the firm across all books
They can slice this data by instrument, by book or by trader

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Exception and Audit Reports and Historical Data Management

A full suite of standard reports help customer surveillance, monitoring and analyzing in particular areas of their business.

- The standard reports include: compliance, exception, order, trade, P&L, position and managerial
- A real-time FIX stream and end-of-day pipe separated value (PSV) files of order and trade let firms create their own customized reports
- Reports are produced at the end of each business day and are available on-line for three months via a password protected internet site and are also provided to customers electronically via FTP

Order and trade data is retained for three months or up to 300,000 transactions, after which the data is archived.

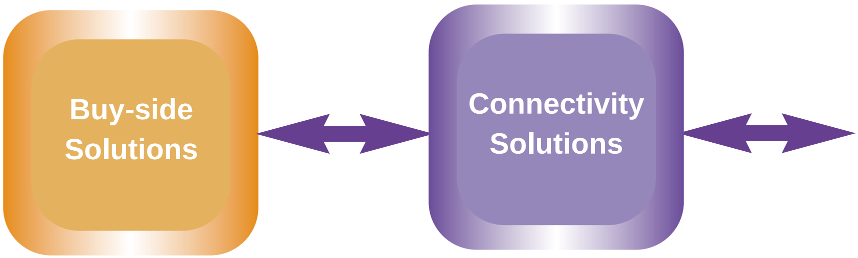
Business Overview

Fidessa group's products and services are built on the simple vision of making it easier to buy, sell and own financial assets of all types on a global basis.

With product suites serving the buy-side as well as the sell-side, combined with connectivity and market data solutions, Fidessa understands the complete lifecycle of investment management through to trading and trade processing, as well as the needs of all tiers of both communities.

Fidessa uses this unique positioning to offer unrivalled services, tailored to each of these audiences, that leverage its experience and knowledge across the marketplace as a whole. This ensures that Fidessa's solutions smooth the whole process and deliver the best high-performance, cost-effective and ground-breaking functionality to each community accordingly.

Fidessa delivers its products to the global marketplace, along with dedicated consultancy, implementation and support services, through three core, focussed business channels:



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