



November 27, 2013

Mr. Brendan Loonam  
FINRA Transparency Services

Dear Mr. Loonam:

Please find attached the statement you requested regarding LavaFlow and the ADF.

The fee structure of LavaFlow ("FLOW") is currently a maker-taker model where FLOW pays a rebate for added executed liquidity and charges a fee for removed liquidity. The current base rebate is (\$0.0024) per share for added executed visible liquidity and (\$0.0010) per share of added executed non-visible liquidity. There are increased rebate incentives for Subscribers that can maintain higher volumes on a daily basis. FLOW charges a standard rate of \$0.0030 to remove liquidity. Pricing is subject to change with advanced notice to Subscribers. Notices of price changes are published in advance to the LavaFlow website for non-subscribers and any material changes to the terms of this letter will be noted in an amended submission letter to FINRA and will be posted on the FINRA ADF website.

Firms wishing to access FLOW liquidity may connect in a variety of ways; Firms who are FLOW Subscribers may connect to the ECN via the FLOW Smart Order Router (SOR), or through the FLOW Gateway (FG). Non-FLOW subscribers may connect via a third party vendor or connectivity provider such as, but not limited to, Fidessa or TNS, or alternatively through an exchange or a third party Subscriber broker dealer. The FLOW ECN allows Subscribers the ability to determine its level of connectivity, and FLOW does not have any tiers or rules regarding execution of orders based upon Market Participant Identification. No participant is given any priority in the FLOW matching engine. The FLOW ECN matching engine is blind to who the participant is, with the exception of orders using the anti-internalization feature. A hallmark feature of the FLOW ECN is customer anonymity from matching orders through clearing executions.

FLOW has and regularly maintains policies and procedures designed to maintain a linkage with at least one SRO trading facility, or SRO display only facility, and to transmit to such SRO trading facility or SRO display-only facility for display either the best priced order of those orders entered by OTC market makers and exchange market makers for those securities in which they make markets (or act as specialists) or the best priced orders entered by all ECN subscribers; and to provide, to any broker or dealer, access to such orders that is functionally equivalent to the access that is generally available for quotes displayed by a SRO trading facility or, for orders displayed in an SRO display-only facility, a level and cost of access that is substantially similar to the level and cost of access to quotations displayed by SRO trading facilities in that stock. FLOW also has policies and procedures that require FLOW to respond to orders by non-Subscribers as promptly as it responds to orders by Subscribers, and have non-Subscribers be able to automatically

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execute against quotations displayed by the system. FLOW also has policies and procedures to ensure it will not charge a rate no more than the maximum fee permitted by Rule 610 of Regulation NMS. FLOW also has and maintains policies and procedures to conduct regular periodic System capacity reviews and tests to ensure future capacity and identify potential weaknesses and reduce the risks of system failures and threats to system integrity. FLOW's policies and procedures also require continuous monitoring of its connections with SRO trading facilities or SRO display-only facilities and in the event that FLOW loses connection with any SRO trading facility or SRO display-only facility FLOW will cancel all quotes previously published by the system to that facility and notify its subscribers of such interruption.

As noted above, FLOW is already connected in its production environment to most outbound routers via intranets, cross connects and other direct connections. The cost to establish connections for users of these services and for individual firms not using these services should be substantially the same as the costs to connect to an exchange. FLOW charges minimal port fees to Subscribers based upon the number of ports requested. Exchange port fees on average range from between \$400 - \$500 per port, per month. One exchange offers port fees as low as \$100 per port per month while another charges \$1,000 per port per month at their primary / secondary data center. LavaFlow provides one port per Subscriber in each of its datacenters (primary and secondary) for free. FLOW reserves the right to charge a port fee for all subsequent connections. Fee-eligible port connections may be charged \$400 per connection, per month. Both FLOW Subscribers and non-Subscribers are responsible for paying for their own external telecom costs to connect to FLOW, these fees would be equivalent to the costs to connect to any other trading center, such as an exchange. Market Data fees vary per exchange from \$400 per session per month to \$750, \$1,000, \$2,500 and as high as \$5,000 for external distribution. LavaFlow has not, and currently does not nor does it have any plans to, charge its Subscribers or non-Subscribers for access to LavaFlow's market data in either of its two forms of distribution TCP or multicast. Additionally exchanges currently charge a range of other fees including but not limited to, membership fees, trading rights fees, risk gateway fees and other miscellaneous fees, whereas FLOW has no similar charges.


FLOW complies with Rule 610(b)(2) by charging Subscribers and Non-Subscribers the same fees for utilizing the ECN. All members in good standing of an SRO are eligible to become Subscribers and will be subject to credit limits set by FLOW.

As described above, LavaFlow has implemented standards for Subscribers and the potential subscriber's financial situation and their regulatory history all go into the decision as to what limits will be set for the firm.

Please do not hesitate to contact the undersigned at 212-519-8963 should you have any additional questions regarding this matter.

Sincerely,

Mr. Brendan Loonam  
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A handwritten signature in black ink, appearing to read "J. K. Tarleton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

John K. Tarleton  
Chief Compliance Officer