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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM CA-1**

**APPLICATION FOR REGISTRATION OR FOR EXEMPTION FROM REGISTRATION  
AS A CLEARING AGENCY AND FOR AMENDMENT TO REGISTRATION  
PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934 (“the Act”)**

**INSTRUCTIONS FOR USE OF FORM CA-1**

**I. General Instructions for Preparing and Filing Form CA-1**

1. Form CA-1 is to be used by clearing agencies, as defined in Section 3(a)(23) of the Act, which perform the functions of a clearing agency with respect to any security other than an exempted security, as defined in Section 3(a)(12) of the Act, to apply for registration or for exemption from registration or to amend registration with the Securities and Exchange Commission (the “Commission”). As used hereinafter, the term “Form CA-1” includes the form and any required schedules, exhibits or attachments thereto.
2. Clearing agencies are required to file four completed copies of Form CA-1 with the Commission, 100 F Street, N.E., Washington, D.C. 20549. In addition, with respect to a clearing agency for which the Commission is not the appropriate regulatory agency, as defined in Section 3(a)(34)(B) of the Act, Section 17(c)(1) of the Act requires such clearing agency to file with the appropriate regulatory agency for such clearing agency a signed copy of any application, document or report filed with the Commission. Each clearing agency should retain an exact copy of Form CA-1 for the clearing agency’s records.
3. The date on which a Form CA-1 is received by the Commission shall be the date of filing thereof if all the requirements with respect to filing have been complied with. A Form CA-1 which is not prepared and executed in compliance with applicable requirements may be returned as not acceptable for filing. However, acceptance of Form CA-1 shall not constitute a finding that it has been filed as required or that the information submitted is true, current or complete.
4. Copies of Form CA-1 and the schedules, exhibits and attachments thereto may be duplicated and are acceptable for filing provided an original, manual signature is affixed to the execution section of each copy. Form CA-1 and the schedules, exhibits and attachments thereto may be duplicated by any method producing legible copies, of type size identical to that in the Form, on good quality, unglazed, white paper.
5. If Form CA-1 is filed by a corporation, it shall be signed in the name of the corporation by a principal officer duly authorized; if it is filed other than by a corporation it shall be signed by a duly authorized principal of the organization filing the Form. As used in this Form, principal officer means the president, vice president, treasurer, secretary, comptroller or any other person performing a similar function.
6. If the space provided for the answers to items 1-9 of Form CA-1 is insufficient, the complete answer shall be prepared on Schedule A, which shall be attached to the Form.
7. Individuals’ names, except for executing signatures, shall be given in full wherever required (last name, first name, middle name). The full middle name is required. Initials are not acceptable unless the individual legally has only an initial.
8. Unless the context otherwise requires, “registrant” means the entity on whose behalf Form CA-1 is filed, whether filed as a registration, as an application for exemption from registration or as an amendment to a previously filed Form CA-1.
9. Unless the context clearly indicates otherwise, the terms used in Form CA-1 have the meanings given in the Act.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC1853 (2-09)

## **II. Instructions Relating to Filing Form CA-1 as a Registration Form or an Application for Exemption From Registration**

10. If Form CA-1 is being filed as a registration form or an application for exemption from registration, all applicable items are required to be answered in full. If any item is not applicable, respond with “none” or “N/A” (not applicable), as appropriate.
11. If Form CA-1 is being filed as an application for exemption from registration, it must be accompanied by a statement demonstrating why the granting of an exemption from registration as a clearing agency would be consistent with the public interest, the protection of investors and the purposes of Section 17A of the Act.

## **III. Instructions Relating to Filing Form CA-1 as an Amendment to a Registration Form**

12. Promptly following the date on which information reported at items 1-3 of Form CA-1 becomes inaccurate, incomplete or misleading, the registrant shall file an amendment on Form CA-1 correcting the inaccurate, incomplete or misleading information.
13. If an item is amended, the registrant must repeat all unamended items as they last appeared on the page on which the amended item appears and must file four copies of the new page, each with updated and properly completed cover and execution pages.

## **IV. Instructions as to SPECIFIC ITEMS on Form CA-1**

14. Cover page—Indicate whether Form CA-1 is filed as a registration, an application for exemption from registration or an amendment. If the Form is filed as a registration, indicate whether the applicant requests the Commission to consider granting registration in accordance with paragraph (c)(1) of Rule 17Ab2-1.
15. Item I—Include a street address; a post office box alone is not acceptable.
16. In responding to, and furnishing the schedules required by, the items on Form CA-1, particularly items 5(c)(ii) and 5(d)(ii) and the exhibits required by items 20 and 21, the registrant may request that confidential treatment be accorded with respect to the information disclosed, by binding the responses, schedules and exhibits for which confidential treatment is sought separately from the balance of Form CA-1 and furnishing a statement requesting confidential treatment, specifying both the exemptive provision under the Freedom of Information Act (5 U.S.C. 552(b)) on which the request is based and the considerations which make the exemptive provision applicable to the information for which confidential treatment is requested.

## **V. Notice**

17. Under Sections 17, 17A(b) and 23(a) of the Securities Exchange Act of 1934 and the rules and regulations thereunder, the Securities and Exchange Commission is authorized to solicit the information required to be supplied by this Form from applicants for registration or for exemption from registration as a clearing agency. Disclosure to the Commission of the information requested in Form CA-1 (except for the disclosure by an individual registrant of his Social Security number as an IRS Employee Identification Number, which is voluntary) is a prerequisite to the processing of applications for registration or for exemption from registration as a clearing agency. The information will be used for the principal purpose of determining whether the Commission should grant registration or an exemption from registration or institute proceedings to deny registration. Social Security numbers, if furnished, will be used only to assist the Commission in identifying applicants and, therefore, in promptly processing applications. Information supplied on this Form will be included routinely in the public files of the Commission. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a current valid control number.

# FORM CA-1

## FORM FOR REGISTRATION OR FOR EXEMPTION FROM REGISTRATION AS A CLEARING AGENCY AND FOR AMENDMENT TO REGISTRATION AS A CLEARING AGENCY PURSUANT TO THE SECURITIES EXCHANGE ACT OF 1934

### GENERAL

Form CA-1 is to be used to apply for registration or for exemption from registration as a clearing agency and to amend registration as a clearing agency with the Securities and Exchange Commission pursuant to Section 17A of the Securities and Exchange Act of 1934. Read all instructions before preparing the Form. Please type or print all responses.

Bloomberg STP LLC

(Exact name of registrant as specified in charter)

731 Lexington Avenue, New York, NY 10022-1331

(Address of registrant's principal place of business)

This Form is filed as:  a registration  
 a request for exemption from registration  
 an amendment

If filed as a registration, does registrant request the Commission to consider granting registration in accordance with paragraph (c)(1) of Rule 17Ab2-1 under the Act? .....  Yes  No

### EXECUTION

The Registrant submitting this Form, its schedules, its exhibits and its attachments and the person by whom it is executed represent hereby that all information contained herein is true, current and complete. Submission of any amendment after registration has become effective represents that items 1-3 and any schedules, exhibits and attachments related to items 1-3 remain true, current and complete as previously submitted.

Registrant agrees and consents that the notice of any proceedings under Sections 17A or 19 of the Act involving registrant may be given by sending such notice by registered or certified mail or confirmed telegram to the person named, and at the address given, in response to item 2.

Dated the 21st day of January, 2015

Bloomberg STP LLC

(Name of clearing agency)

/s/ Ben Macdonald

(Manual signature of Principal Officer or duly authorized Principal)

President

(Title)

ATTENTION: Intentional misstatements or omissions of fact constitute Federal Criminal Violations  
(See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a))

### GENERAL INFORMATION

1. Exact name, principal business address, mailing address (if different) and telephone number of registrant:

Name of registrant: Bloomberg STP LLC IRS Employee Identification No. \_\_\_\_\_

Name under which clearing agency activities are conducted, if different: \_\_\_\_\_

If name of registrant is hereby amended, state name under which registered previously: \_\_\_\_\_

If name under which clearing agency activities are conducted is hereby amended, state name given previously: \_\_\_\_\_

Address of Principal place of business:

731 Lexington Avenue New York NY 10022-1331  
Number and Street City State Zip Code

Mailing address, if different:

Number and Street City State Zip Code

Telephone Number: 212 318-2000  
Area Code Telephone Number

2. Name, title, mailing address and telephone number of person in charge of registrant's clearing agency activities:

Macdonald, Benjamin, Peter President  
Name Title

731 Lexington Avenue New York NY 10022-1331  
Number and Street City State Zip Code

Telephone Number: \_\_\_\_\_  
Area Code Telephone Number

3. (a) If registrant is a corporation or a national association: state date on which registrant was incorporated or organized and jurisdiction in which incorporated or under which organized:

Date: \_\_\_\_\_ Jurisdiction: \_\_\_\_\_

(b) If registrant is not a corporation or a national association, describe on Schedule A the form of organization under which registrant conducts its business and identify the jurisdiction in which registrant is organized.

4. Does registrant have any arrangement with any other person under which, with respect to registrant's clearing agency activities, such other person processes, keeps, transmits or maintains any securities, funds, records or accounts of registrant or registrant's participants relating to clearing agency activities?.....  Yes  No

If answer is "yes," furnish on Schedule A, as to each such arrangement, the full name and principal business address of the other person and a brief summary of each such arrangement.

5. (a) With respect to clearing agency activities, please provide the following information regarding the type of insurance carried or provided:

Type of Insurance	Yes	No	Amount of Coverage	Amount of Deductible
1. Blanket Bond				
2. Fidelity				
3. Errors and Omissions				
4. Mail Policy				
5. Air Courier				
6. Lost Instrument				
7. Other (please specify on Schedule A)				

(b) If any of registrant's clearing activities are not covered by insurance, has provision been made for self-insurance? .....  Yes  No

If yes, indicate on Schedule A the provisions made for self-insurance (e.g., accounting reserve or funded reserve) and the amount thereof.

(c) (i) As a result of registrant's clearing agency activities, is registrant exposed to loss if a participant fails to perform its obligations to the clearing agency, any other participant or any other person? .....  Yes  No



**SCHEDULE A OF FORM CA-1**

**I. Full name of Registrant as stated in Item 1 of Form CA-1:**

Bloomberg STP LLC

**II. Additional Responses**

Item of Form (Identify)	Response
<p><b>Question 3(b):</b> If registrant is not a corporation or a national association, describe on Schedule A the form of organization under which registrant conducts its business and identify the jurisdiction in which registrant is organized.</p>	<p>Bloomberg STP LLC is a limited liability company organized under the laws of the State of Delaware.</p>
<p><b>Question 4:</b> Does registrant have any arrangement with any other person under which, with respect to registrant’s clearing agency activities, such other person processes, keeps, transmits or maintains any securities, funds, records or accounts of registrant or registrant’s participants relating to clearing agency activities? (If yes, need the full name and principal business address of the other person and a brief summary of each such arrangement.)</p>	<p>The Registrant will provide confirmation matching services as described in this Form CA-1 and the Schedules and Exhibits hereto (the “Matching Service”). The Registrant will enter into a Software License Agreement and a License and Services Agreement with its parent, Bloomberg L.P. (which has a place of business at 731 Lexington Avenue, New York, New York 10022-1331). The Registrant will retain these records for a period of not less than five years, the first two years in an easily accessible place.</p> <p>Registrant will provide the Commission with changes to rules or procedures that may affect the provision of support services by Bloomberg L.P. to the Registrant pursuant to the License and Services Agreement, and the Registrant will notify the Commission of any other material events that may affect the provision of support services by Bloomberg L.P. to the Registrant.</p> <p>Bloomberg L.P. is a global business and financial information and news company headquartered in New York. Its principal product is the BLOOMBERG PROFESSIONAL service, which provides financial market information, data, news and analytics to banks, broker-dealers, institutional investors, governmental bodies and other business and financial professionals worldwide. Currently, there are over 310,000 subscriptions to the BLOOMBERG PROFESSIONAL service.</p>

	<p>Bloomberg L.P. has offices throughout the world and has over 15,000 employees. Bloomberg L.P. delivers data, news and analytics through innovative technology.</p>
<p><b>Question 5(a):</b> With respect to clearing agency activities, please provide the following information regarding the type of insurance carried or provided.</p>	
<p><b>Question 6(a):</b> Audit by independent accountant.</p>	<p>The Registrant will engage an independent accounting firm to audit its financial statements for its first full accounting period, which will end on December 31 of the Registrant’s first full year of operation of the Matching Service.</p> <p>Before beginning the commercial operation of the Matching Service, the Registrant will provide the Commission with an audit report prepared by competent, independent audit personnel that addresses the areas set forth in the Commission’s Automation Review Policy (the “ARP”).</p>
<p><b>Question 7:</b> What are registrant’s internal policies and procedures for reconciling differences (including long and short stock record differences and dividend differences) in its clearing agency activities? (Describe on Schedule A.)</p>	<p>In connection with its clearing agency activities, Registrant will not engage in any activities involving reconciliation of differences such as long and short stock record differences and dividend differences.</p>

## **EXHIBITS—BUSINESS ORGANIZATION**

10. List in Exhibit A any person who either directly or indirectly, through agreement or otherwise, may control or direct the management or policies of registrant. For each person listed, provide the full name and address and attach a copy of each written agreement or, if the agreements are unwritten, describe the agreement or arrangement through which such person exercises or may exercise such control or direction.
11. List in Exhibit B the registrant's corporate officers, trust officers, managers or other persons occupying a similar status or performing similar functions who supervise, or are directly responsible for the conduct of, registrant's clearing agency activities, indicating for each:
  - (a) Name
  - (b) Title
  - (c) Area of responsibility
  - (d) A brief account of the business experience during the last five (5) years.
12. Attach as Exhibit C narrative and graphic descriptions of registrant's organizational structure. If clearing agency activities are conducted primarily by a division, subdivision, or other segregable entity within the registrant corporation or organization, identify the relationship of such entity to the registrant's overall organizational structure and limit the descriptions to the division, subdivision or other segregable entity which performs clearing agency activities.
13. Attach as Exhibit D a list of persons who directly or indirectly, through one or more intermediaries, are controlled by, or are under common control with, the clearing agency and indicate the nature of the control relationship.
14. Attach as Exhibit E a copy of the currently effective constitution, articles of incorporation or association, by-laws, rules, procedures and instruments corresponding thereto, of the registrant and a complete list of all dues, fees and other charges imposed by registrant for its clearing agency activities.
15. Attach as Exhibit F a brief description of any material pending legal proceeding, other than ordinary and routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or to which any of its or their property is the subject. Include the name of the court or agency in which the proceeding is pending, the date instituted, and the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceeding known to be contemplated by governmental agencies.
16. Attach as Exhibit G copies of all contracts with any national securities exchange, national securities association or clearing agency or securities market for which the registrant acts as a clearing agency or performs clearing agency functions.

## **EXHIBITS—FINANCIAL INFORMATION**

17. Attach as Exhibit H a balance sheet and statement of income and expenses, and all notes or schedules thereto of registrant, as of registrant's most recent fiscal year for which such information is available, certified by an independent accountant. (If certified financial information is not available, uncertified financial information should be submitted).
18. Attach as Exhibit I the addresses of all offices in which clearing agency activities are performed by registrant, or for registrant by any person listed in response to item 4, and identify the nature of the clearing activities performed in each office listed.

## **EXHIBITS—OPERATIONAL CAPACITY**

19. Attach as Exhibit J narrative descriptions of each service or function performed by the registrant.
20. Attach as Exhibit K a description of the measures or procedures employed by registrant to provide for the security of any system which performs the functions of a clearing agency. Include a general description of any operational safeguards designed to prevent unauthorized access to the system (including unauthorized input or retrieval of information for which the primary record source is not hard copy). Identify any instances within the past year in which the described security measures or safeguards failed to prevent unauthorized access to the system and describe any measures taken to prevent a recurrence of any such incident. Describe also any measures used to verify the accuracy of information received or disseminated by the system.
21. Attach as Exhibit L a description of the measures or procedures employed by registrant to provide for the safeguarding of securities and funds in its custody or control. Identify any instances within the past year in which the described security measures or safeguards failed to prevent any unauthorized access to securities or funds in possession of registrant and any measures taken to prevent a recurrence of any such incident.
22. If clearing agency functions are performed by automated facilities or systems, attach as Exhibit M a description of all backup systems or subsystems which are designed to prevent interruptions in the performance of any function as a result of technical or

23. other malfunction. Include backups for input or output links to the system and precautions with respect to malfunctions in any areas external to the system.

**EXHIBITS—ACCESS TO SERVICES**

24. Attach as Exhibit N a list of the persons who currently participate, or who have applied for participation, in registrant's clearing agency activities (if registrant performs more than one activity, a columnar presentation may be utilized).

25. Attach as Exhibit O a description of any specifications, qualifications, or other criteria which limit, are interpreted to limit, or have the effect of limiting access to, or use of, any clearing agency service furnished by the registrant and state the reasons for imposing such specifications, qualifications, or other criteria.

26. Attach as Exhibit P copies of any form of contracts governing the terms on which persons may subscribe to clearing agency services provided by the registrant.

27. Attach as Exhibit Q a schedule of any prices, rates or fees fixed by registrant for services rendered by its participants.

28. Attach as Exhibit R a schedule of any prohibitions or limitations imposed by the clearing agency on access by any person to services offered by any participant.

**EXHIBIT—APPLICATION FOR EXEMPTION**

29. If this is an application for an exemption from registration as a clearing agency, attach as Exhibit S a statement demonstrating why the granting of an exemption from registration as a clearing agency would be consistent with the public interest, the protection of investors and the purposes of Section 17A of the Act, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.

## EXHIBIT A to FORM CA-1

[List in Exhibit A any person who either directly or indirectly, through agreement or otherwise, may control or direct the management or policies of registrant. For each person listed, provide the full name and address and attach a copy of each written agreement or, if the agreements are unwritten, describe the agreement or arrangement through which such person exercises or may exercise such control or direction.]

### I. Controlling Persons of the Registrant

Name:	Bloomberg L.P.
Address:	731 Lexington Avenue New York, NY 10022-1331
Means of Direct or Indirect Control:	Managing member of Registrant.

Name:	Bloomberg Inc.
Address:	731 Lexington Avenue New York, NY 10022-1331
Means of Direct or Indirect Control:	General Partner of Bloomberg L.P.
Company through which indirect ownership is established:	Bloomberg L.P.
Relationship to Direct Owner:	General Partner

### II. Additional Information Regarding Controlling Persons of the Registrant

#### A. *Bloomberg L.P.*

Bloomberg L.P. is the managing member and 100% equity owner of the Registrant. Bloomberg L.P. is a Delaware limited partnership (File No. 2110234) formed on August 6, 1987.

The officers of Bloomberg L.P. are Michael R. Bloomberg (Founder), Peter T. Grauer (Chairman), Thomas F. Secunda (Vice Chairman) and Richard K. DeScherer (Secretary).

### III. Support Services and Software License

#### *License and Services Agreement*

The Registrant will enter into a License and Services Agreement with its parent, Bloomberg L.P., under which Bloomberg L.P. provides to the Registrant software, hardware, administrative, operational and other support services.

**EXHIBIT B to FORM CA-1**

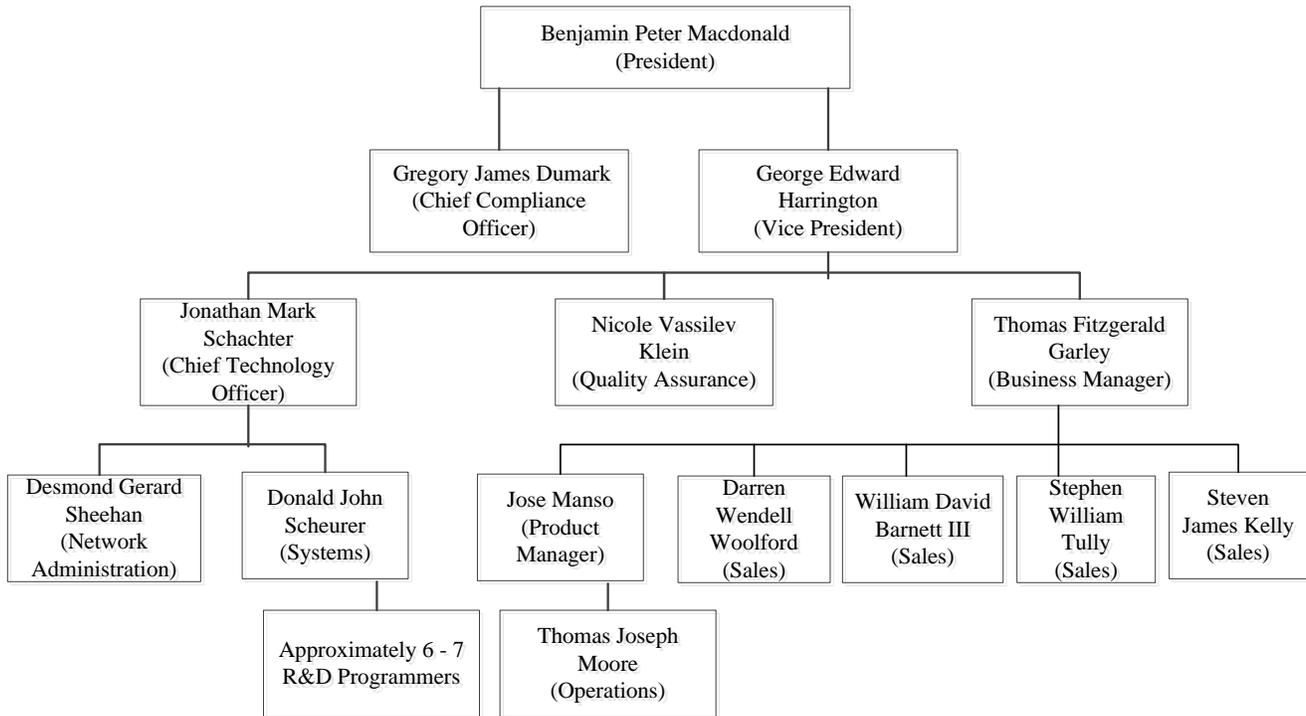
[List in Exhibit B the registrant's corporate officers, trust officers, managers or other persons occupying a similar status or performing similar functions who supervise, or are directly responsible for the conduct of, registrant's clearing agency activities, indicating for each: Name, Title, Area of responsibility, A brief account of the business experience during the last five (5) years.]

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**EXHIBIT C to FORM CA-1**

**I. Organizational Structure of the Registrant**

Registrant is a wholly-owned subsidiary of Bloomberg L.P. Please see below for a graphic depiction of Registrant’s organizational structure.



**II. Entity Organizational Structure of the Registrant and its Related Persons**

*A. Bloomberg L.P.*

Bloomberg L.P. is the managing member and 100% equity owner of the Registrant. Bloomberg L.P. is a Delaware limited partnership (File No. 2110234) formed on August 6, 1987.

**EXHIBIT D to FORM CA-1**

[Attach as Exhibit D a list of persons who directly or indirectly, through one or more intermediaries, are controlled by, or are under common control with, the clearing agency and indicate the nature of the control relationship.]

**EXHIBIT E to FORM CA-1**

[Attach as Exhibit E a copy of the currently effective constitution, articles of incorporation or association, by-laws, rules, procedures and instruments corresponding thereto, of the registrant and a complete list of all dues, fees and other charges imposed by registrant for its clearing agency activities.]

**EXHIBIT F to FORM CA-1**

[Attach as Exhibit F a brief description of any material pending legal proceeding, other than ordinary and routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or to which any of its or their property is the subject. Include the name of the court or agency in which the proceeding is pending, the date instituted, and the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceeding known to be contemplated by governmental agencies.]

**EXHIBIT G to FORM CA-1**

[Attach as Exhibit G copies of all contracts with any national securities exchange, national securities association or clearing agency or securities market for which the registrant acts as a clearing agency or performs clearing agency functions.]

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**EXHIBIT H to FORM CA-1**

[Attach as Exhibit H a balance sheet and statement of income and expenses, and all notes or schedules thereto of registrant, as of registrant's most recent fiscal year for which such information is available, certified by an independent accountant. (If certified financial information is not available, uncertified financial information should be submitted).]

H-1

**EXHIBIT I to FORM CA-1**

[Attach as Exhibit I the addresses of all offices in which clearing agency activities are performed by registrant, or for registrant by any person listed in response to item 4, and identify the nature of the clearing activities performed in each office listed.]

## EXHIBIT J to FORM CA-1

### **I. Background**

With the financial industry under pressure due to both financial and operational challenges, the need to create more efficient trade processing solutions – with better operational controls – has never been more profound. The Registrant believes that a key component of operational efficiency is straight-through-processing. Services that facilitate straight-through-processing are a central feature of the trade life-cycle. Additional straight-through-processing services and more effective offerings are needed by market participants to advance and strengthen market efficiencies.

Today a single firm dominates confirmation matching services without competition. The Registrant believes that the market is uncomfortable with a single-provider model, and therefore a single point of dependency, in the post-trade processing space; it is becoming increasingly clear that market participants are ready for change. Buy-side customers, sell-side firms and custodians have asked Bloomberg to help diversify the market's post-trade processing risk and to improve post-trade workflow by offering additional straight-through-processing solutions.

The Matching Service has been developed in response to these calls for change. As a provider of electronic services, data, news and information to customers throughout the world, Bloomberg offers a variety of services that serve customer needs for electronic trading and post-trade activity. Bloomberg continuously examines how it can innovate to meet market demand. Customer focus is a key component of Bloomberg's business. Perceiving a need in the marketplace for additional and enhanced post-trade processing services, Bloomberg established a subsidiary, the Registrant, to provide central confirmation matching services. Together, Bloomberg's services and the Registrant's Matching Service will offer a full suite of straight-through-processing services to the market.

### **II. Overview of the Matching Service**

The Registrant's Matching Service allows broker-dealers and their institutional customers to streamline communications and processing of allocation and post-trade information for fixed-income and equity trades in which either the broker-dealer (a "Firm") or its institutional customer (the "Customer") is a U.S. entity and the security in the trade is issued by a U.S. issuer. When used along with electronic network, information and post-trade processing services provided by Bloomberg L.P. and its affiliate Bloomberg Finance L.P.,<sup>1</sup> users will be able to use compatible systems to perform pre-trade analysis, route an order to a broker, receive an execution notice from the broker and then enter trade details and allocations so that the Registrant's Matching Service can generate a matched confirmation and send an affirmed confirmation to

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<sup>1</sup> References in this Exhibit to "Bloomberg" refer to Bloomberg L.P. and its affiliate Bloomberg Finance L.P.

DTC – the full life-cycle of a trade. Together with additional services provided by Bloomberg, users will be able to streamline trade processing across a variety of asset classes (including foreign currency, derivatives and exchange-traded futures).

The Matching Service will compare trade data provided by a Firm, on the one hand, with allocation information provided by the Firm’s Customer, on the other hand. The Matching Service will determine whether the allocation information sent by the Customer matches the trade data provided by the Firm. If the information matches, the Registrant will generate a matched confirmation and send an affirmed confirmation to DTC. The two counterparties to the trade will then use the affirmed confirmation in effecting settlement of the trade.

In addition, custodians can send matched confirmations to the Matching Service and the Matching Service will submit such matched confirmations as affirmed confirmations (“confirm/affirm”) to a depository.

### **III. Manual Workflow**

Not all market participants involved in institutional trading use central matching services today. For those that do not, they follow a manual workflow.

A manual workflow is generally as follows. An institution places an order with its broker-dealer (step 1). After the broker-dealer executes the trade, the broker-dealer provides the institution with a notice of execution (an “NOE”) that includes the details of the trade (step 2). The institution then advises the broker-dealer as to how the trade should be allocated among the institution’s accounts (step 3). The broker-dealer submits the trade data (including allocations) to DTC (step 4). DTC adds the transaction to DTC’s ID system trade database, assigns an ID control number and forwards an electronic confirmation to the institution, the broker-dealer, the institution’s settlement agent and other interested parties (step 5). Next, the institution reviews the confirmation for accuracy. If accurate, the institution or its designated affirming agent affirms the trade to DTC through DTC’s ID system (step 6). DTC then generates an affirmed confirmation and sends it to the broker-dealer and to the institution’s custodian (step 7). At this point, DTC schedules settlement of the trade in DTC’s settlement system. The party obligated to deliver the securities (*i.e.*, the selling party) submits to DTC’s ID system authorization prior to settlement and, if the delivering party has sufficient securities in its DTC account and meets DTC’s risk management controls, book entry settlement of the trade automatically occurs.

A graphical description and a time sequence diagram of this workflow are set forth below in [Figure J-1](#) and [Figure J-2](#), respectively.

Figure J-1.

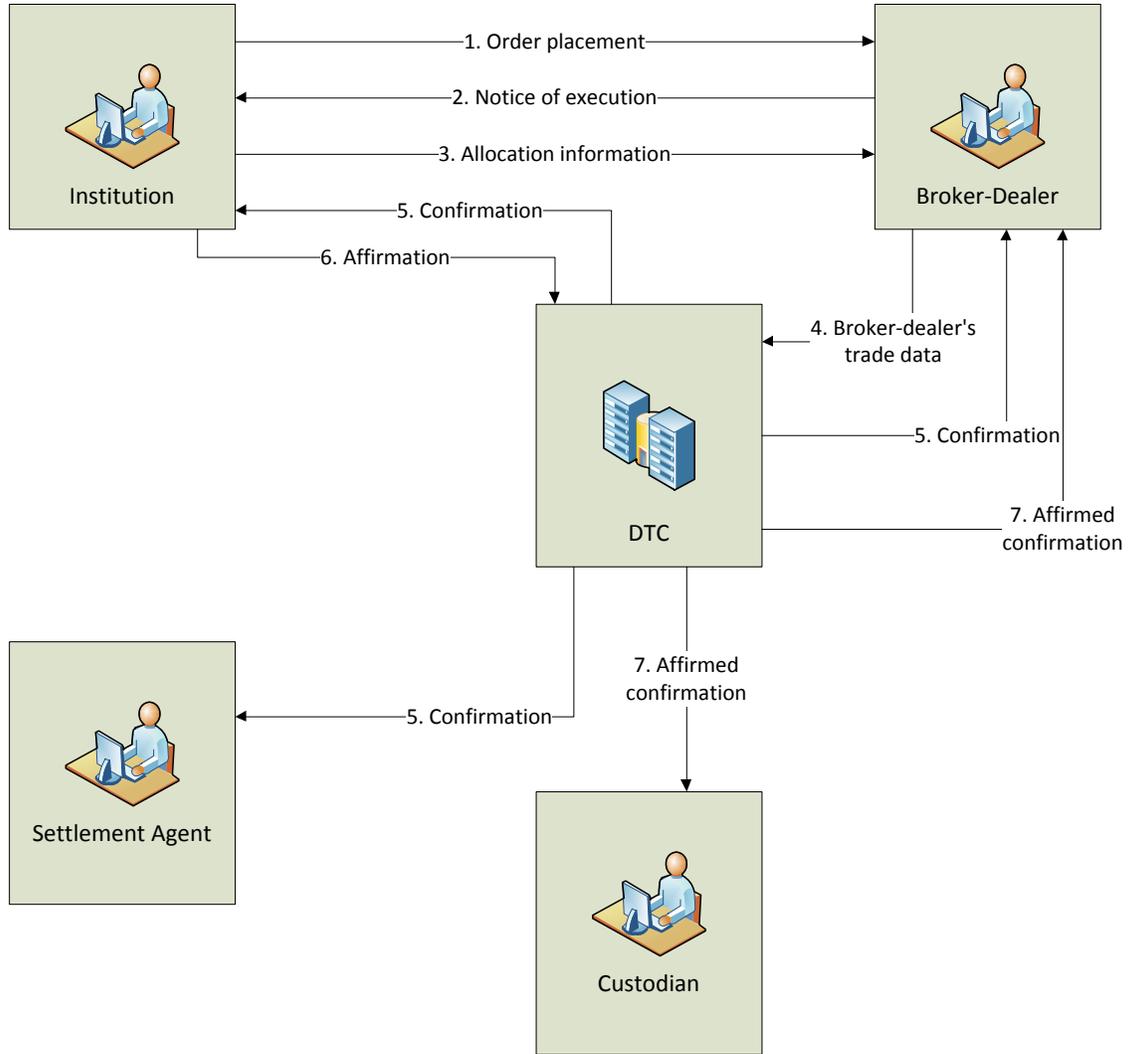
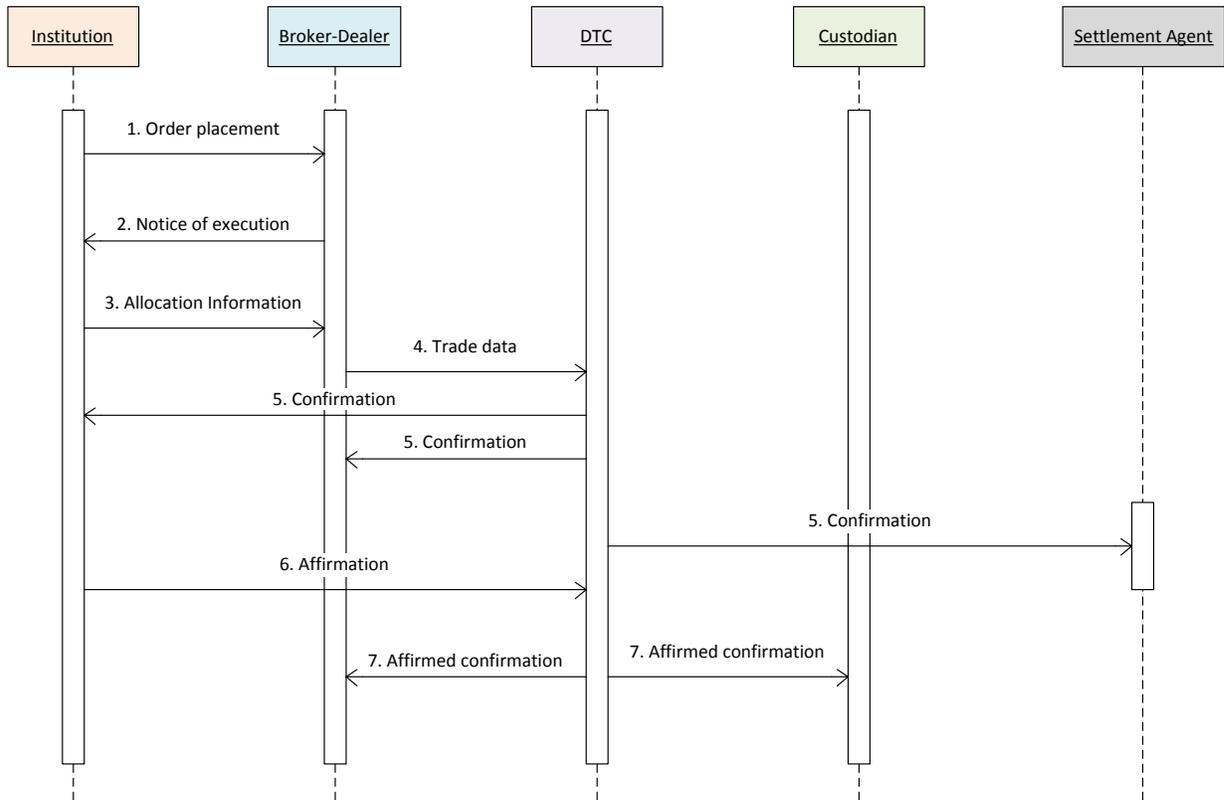


Figure J-2.



#### IV. Matching Service Workflows

By contrast to the Manual Workflow, an institution and its broker-dealer may use the Registrant’s Matching Service to expedite the settlement process and to reduce errors. The workflows for users using the Matching Service are as follows:

*Matching Workflow No. 1.* A Customer routes an order to its Firm (step 1). The Firm executes the order and then sends an NOE to the Customer (step 2). For voice executed trades, the Customer affirms to the Firm the trade details contained in the NOE. For trades executed electronically, the electronic trading platform records the trade in the blotters of the Customer and the Firm (step 3). The Customer sends to the Matching Service, the Firm and to the Customer’s custodian allocation information for the trade (*i.e.*, how the trade should be allocated among the Customer’s accounts) (step 4). The Firm then submits to the Matching Service trade data corresponding to each allocation, including settlement instructions and, as applicable, commissions, taxes and fees (step 5). Next, the Matching Service compares the Customer’s allocation information (containing multiple fields of data, see [Figure J-5](#) below) with the Firm’s trade data

to determine whether the information contained in each field matches. If all required fields match, the Matching Service generates a matched confirmation and sends it to the Firm, the Customer and other entities designated by the Customer (e.g., the Customer’s custodian) (step 6). The Matching Service will typically perform step 6 in less than one second.

The confirmation matching process eliminates multiple steps in the Manual Workflow, for instance, DTC’s producing a confirmation (Step 5 of the Manual Workflow) for the institution to review and the institution’s reviewing and affirming the confirmation (Step 6 of the Manual Workflow). After the Matching Service creates the matched confirmation, the Matching Service submits it to DTC as an “affirmed confirmation” (step 7). From there, the trade goes into DTC’s settlement process, as described above following Step 7 of the Manual Workflow.

A graphical description and a time sequence diagram of this workflow are set forth below in [Figure J-3](#) and [Figure J-4](#), respectively.

Figure J-3.

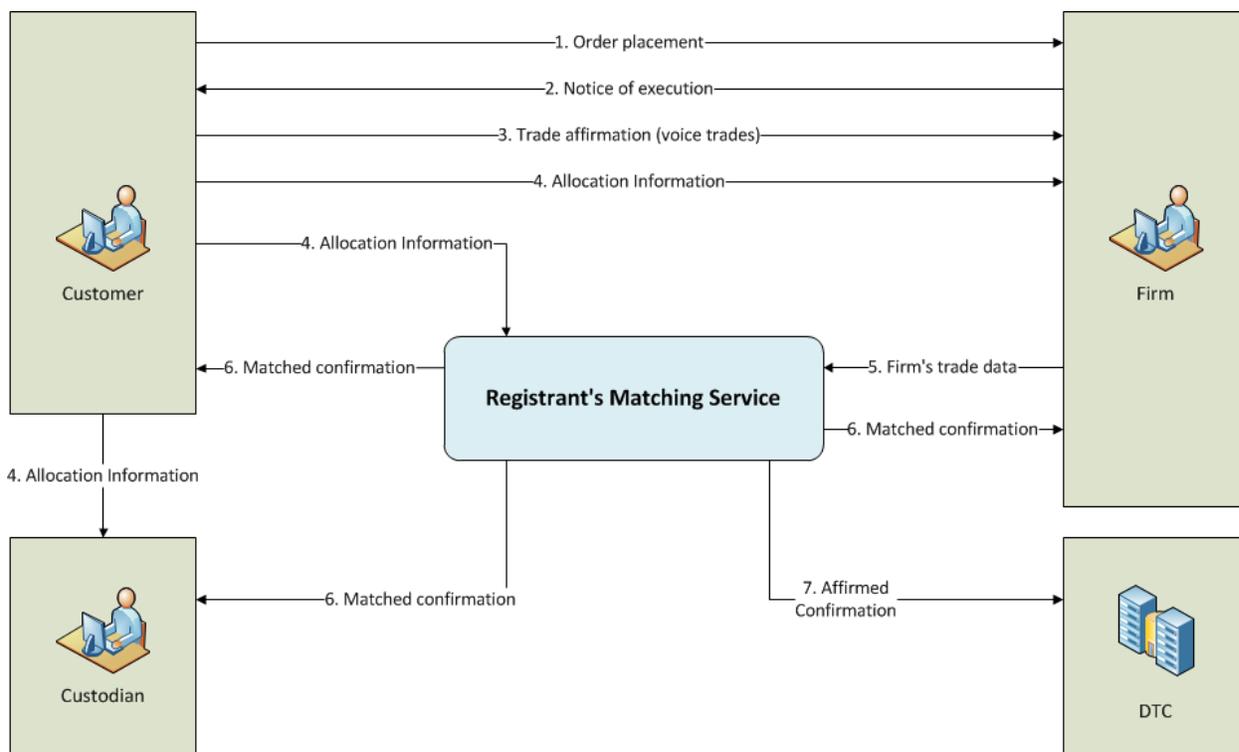
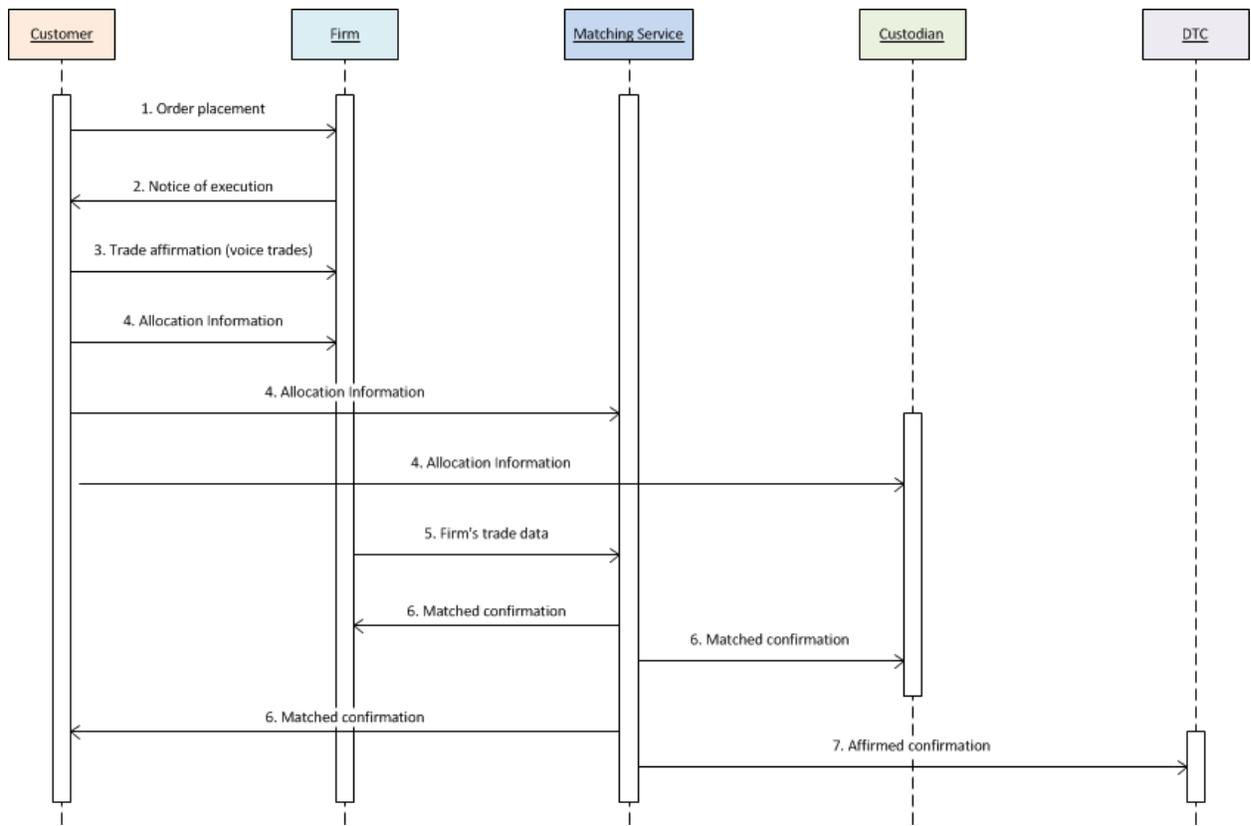


Figure J-4.



[Remainder of page intentionally left blank.]

*Matching Workflow No. 2.* A Customer routes an order to its Firm (step 1). The Firm executes the order and then sends an NOE to the Customer (step 2). For voice executed trades, the Customer then affirms to the Firm trade details contained in the NOE. For trades executed electronically, the electronic trading platform records the trade in the blotters of the Customer and the Firm (step 3). The Customer sends to the Firm and to the Customer's custodian allocation information for the trade (*i.e.*, how the trade should be allocated among the Customer's accounts) (step 4). The Firm then submits to the Matching Service trade data corresponding to each allocation, including settlement instructions and, as applicable, commissions, taxes and fees (step 5). The Matching Service sends the Firm's trade data to the Customer's custodian (step 6). The custodian compares the Firm's trade data received from the Matching Service to the allocation information it received from the Customer. If the custodian determines that the allocation information received from the Customer matches the Firm's trade data received from the Matching Service, it notifies the Matching Service of the matched confirmation (step 7). The Matching Service submits the matched confirmation to DTC as an "affirmed confirmation" and sends the affirmed confirmation to the Firm, the Customer and to other entities designated by the Customer (step 8). From there, the trade goes into DTC's settlement process, as described above following Step 7 of the Manual Workflow.

A graphical description and a time sequence diagram of this workflow are set forth below in Figure J-7 and Figure J-8, respectively.

[Remainder of page intentionally left blank.]

Figure J-7.

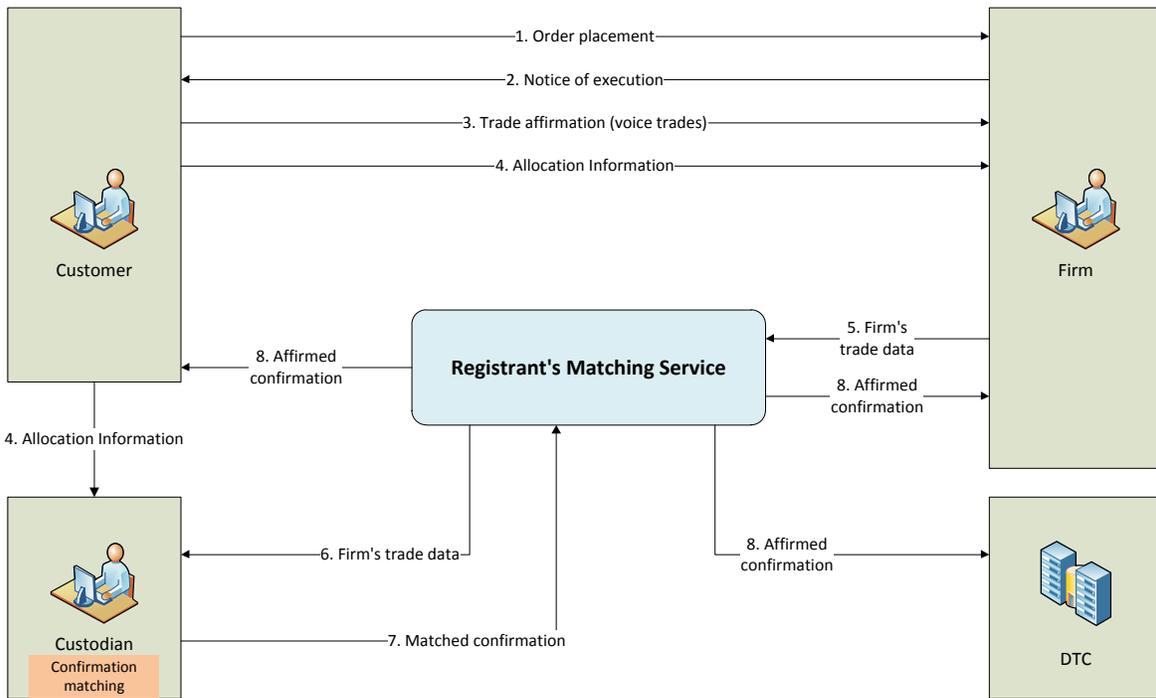
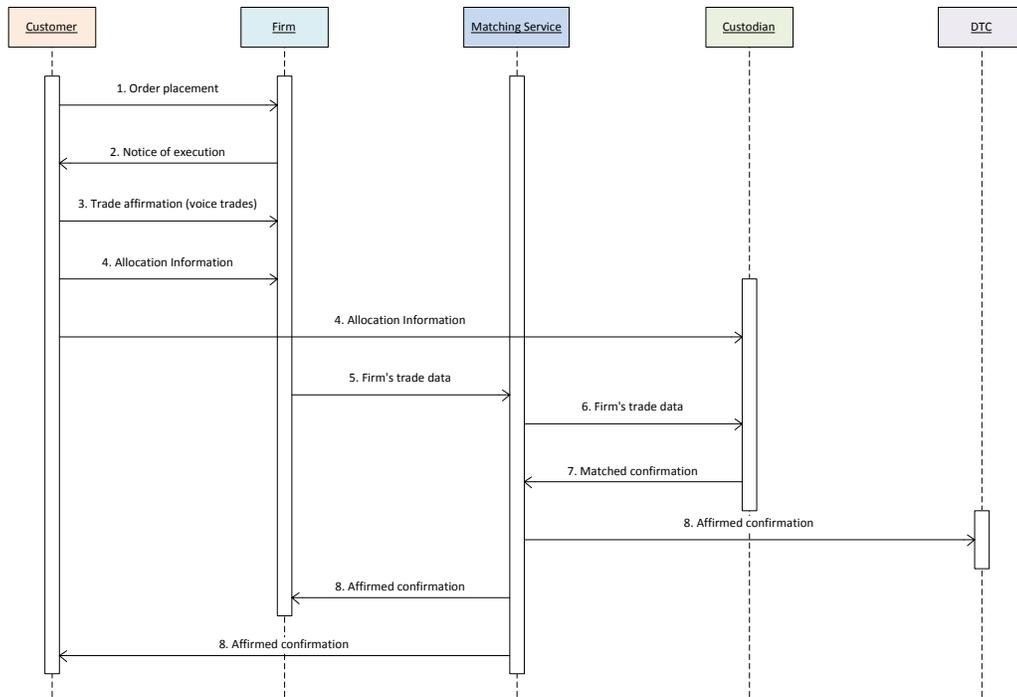


Figure J-8.



J-8

## **V. Compatibility**

The Matching Service is compatible across diverse communications standards and protocols and will be available for trades entered into over the phone or using electronic trading platforms. A Fund Service Provider may in some cases use the Matching Service as an agent of its Customer.

A Customer will be eligible to use the Matching Service once its Firm and, if applicable, Fund Service Provider have enabled the Customer to use the Matching Service. A Customer may also subscribe to the Matching Service directly. The Registrant believes, however, that most Customers will use the Matching Service in connection with their established relationship with Firms and Fund Service Providers.

## **VIII. User Reports**

The Registrant will make available to Matching Service users an interactive reporting tool that will display matching statistics, including the percentage of allocations matched during a designated period with particular counterparties and in specified investment types (*e.g.*, equities or U.S. Treasury securities). A user will be able to access specific detail regarding matched and unmatched allocations, filtered by counterparty, investment type and status.

## **X. No Other Clearing Agency Function**

Other than the Matching Service, the Registrant will not perform any other functions of a clearing agency required to be registered under Section 17A of the Act, such as net settlement, maintaining a balance of open positions between buyers and sellers, marking securities to the market, or handling funds or securities.

## **XI. Record Retention**

The Registrant has established policies and procedures designed to ensure the retention of Matching Service records in compliance with applicable Commission and self-regulatory organization rules. In particular, the Registrant will retain and preserve a full audit trail for each transaction for which the Matching Service is used, consisting of trade details, allocation instructions and central trade matching results. In addition, the Registrant will retain and preserve records of:

- reports and notices sent to users;
- reports regarding affirmation rates that are sent to the Commission or its designee; and
- any complaints received from users.

The Registrant will keep and preserve at least one copy of all documents identified above, in addition to any other documents specified by the Commission, for a period of not less than five years, the first two years in

an easily accessible place. The Registrant will promptly provide copies of any such document to the Commission upon request.

## **XII. Benefits to the Marketplace of Multiple Matching Service Providers**

The Registrant believes that the Matching Service will offer tangible benefits to the securities industry by (i) adding choice and redundancy and eliminating a single point of dependency, thereby increasing the reliability and stability of matching service support available to market participants, (ii) decreasing overall costs to market participants, and (iii) through introduction of competition, increasing the potential for development of new and enhanced functionality.

The addition of a second central matching service into a market currently dominated by a single provider will not adversely affect current users of the existing central matching service offered by Omgeo Matching Services – US LLC (“Omgeo”), nor potential users of Omgeo’s or the Registrant’s Matching Service. On the contrary, it will provide several advantages to market participants. Users will have full flexibility to use the central matching service of their choice at any time, and will have the ability to choose whether or not to use the Matching Service or another service on a per-trade basis. Users will not be locked into using the Matching Service over any alternative, whether by contract, functionality or otherwise.

**EXHIBIT K to FORM CA-1**

[Attach as Exhibit K a description of the measures or procedures employed by registrant to provide for the security of any system which performs the functions of a clearing agency. Include a general description of any operational safeguards designed to prevent unauthorized access to the system (including unauthorized input or retrieval of information for which the primary record source is not hard copy). Identify any instances within the past year in which the described security measures or safeguards failed to prevent unauthorized access to the system and describe any measures taken to prevent a recurrence of any such incident. Describe also any measures used to verify the accuracy of information received or disseminated by the system.]

**EXHIBIT L to FORM CA-1**

[Attach as Exhibit L a description of the measures or procedures employed by registrant to provide for the safeguarding of securities and funds in its custody or control. Identify any instances within the past year in which the described security measures or safeguards failed to prevent any unauthorized access to securities or funds in possession of registrant and any measures taken to prevent a recurrence of any such incident.]

**EXHIBIT M to FORM CA-1**

[If clearing agency functions are performed by automated facilities or systems, attach as Exhibit M a description of all backup systems or subsystems which are designed to prevent interruptions in the performance of any function as a result of technical or other malfunction. Include backups for input or output links to the system and precautions with respect to malfunctions in any areas external to the system. ]

M-1

**EXHIBIT N to FORM CA-1**

[Attach as Exhibit N a list of the persons who currently participate, or who have applied for participation, in registrant's clearing agency activities (if registrant performs more than one activity, a columnar presentation may be utilized).]

**EXHIBIT O to FORM CA-1**

[Attach as Exhibit O a description of any specifications, qualifications, or other criteria which limit, are interpreted to limit, or have the effect of limiting access to, or use of, any clearing agency service furnished by the registrant and state the reasons for imposing such specifications, qualifications, or other criteria.]

**EXHIBIT P to FORM CA-1**

[Attach as Exhibit P copies of any form of contracts governing the terms on which persons may subscribe to clearing agency services provided by the registrant.]

**EXHIBIT Q to FORM CA-1**

[Attach as Exhibit Q a schedule of any prices, rates or fees fixed by registrant for services rendered by its participants.]

**EXHIBIT R to FORM CA-1**

[Attach as Exhibit R a schedule of any prohibitions or limitations imposed by the clearing agency on access by any person to services offered by any participant.]

R-1

## EXHIBIT S to FORM CA-1

### I. Policy Considerations

The Commission has long recognized the need for post-trade, pre-settlement matching services to support efficient and reliable processing of an ever-increasing volume and rate of trade execution.<sup>2</sup> The Registrant proposes to offer the Matching Service as a single clearing agency function that would help fulfill those needs of the securities industry and will serve the goal of straight-through-processing. The Registrant believes that central matching services such as the Registrant's Matching Service are a key component of straight-through-processing.

The Commission has acknowledged that an entity providing only matching services, such as the Registrant, would fall within the clearing agency definition, but could apply for an exemption from full clearing agency regulation. Granting the Registrant an exemption from registration as a clearing agency would be consistent with the Commission's past practices<sup>3</sup> and would serve the interest of the public, the protection of investors, the safeguarding of securities and funds, and the policy goals of Section 17A of the Act including:

- prompt and accurate clearance and settlement of securities transactions;
- facilitating the expansion of useful support services that reduce risk;
- eliminating unnecessary costs; and
- maintaining fair competition.

#### *Improving Speed and Accuracy*

Bloomberg<sup>4</sup> provides value-added services to market participants throughout the trade life-cycle, from pre-trade analytics, order management and order routing technology to post-trade services. The Registrant's Matching Service has been developed in response to requests from market participants to expand services to include allocations support through confirmation matching. To this end, market participants and the Registrant see a need in the marketplace for a second central matching service.

By using the Registrant's Matching Service, market participants will be able to streamline their post-trade processing needs and thereby to improve the speed of confirmation matching and enhance the accuracy of allocations processing, resulting in prompt and accurate clearance and settlement of trades. In addition, the opportunity for market participants to use a matching service that is seamlessly integrated with other tools

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<sup>2</sup> See Securities Exchange Act Release No. 34-44188 (April 17, 2001) (the "Omgeo Order").

<sup>3</sup> See Omgeo Order.

<sup>4</sup> References in this exhibit to "Bloomberg" refer to Bloomberg L.P. and its affiliate Bloomberg Finance L.P.

used by the financial industry, including the BLOOMBERG PROFESSIONAL service, Bloomberg's and third-party order management systems, electronic trading functionality and other post-trade functionality, will minimize the number of required manual connections and reduce the potential for errors. These synergies will help to improve the speed, accuracy and reliability of the post-trade environment. As a result, the Registrant's Matching Service will operate in a manner that will facilitate same-day affirmation.

### *Reducing Risk*

The Registrant submits that its Matching Service will reduce risk in the marketplace by providing an alternative for market participants and thereby eliminating a single point of dependency. As noted above, market participants are calling for change and for competition in central matching. The Registrant's Matching Service will provide needed competition and the resulting benefits to users, including price competition and the potential for new and innovative functionality.

In its 2004 Concept Release on Securities Transaction Settlement,<sup>5</sup> the Commission asserted that "[i]t is generally accepted that a substantial portion of the risks in a clearance and settlement system is directly related to the length of time it takes for trades to settle. In other words, 'time equals risk.'"<sup>6</sup> Citing comments by the Federal Reserve Board, the Federal Reserve Bank of New York and the CPSS/IOSCO<sup>7</sup> Task Force, the Commission identified this timing risk as a potential cause of broader systemic risks to the financial markets, and the economy in general.<sup>8</sup> As noted in the Transaction Settlement Release, shortening the settlement cycle would reduce some of these risks. The Registrant's Matching Service is designed to facilitate a shorter settlement cycle by reducing the number of sequential steps required to affirm a trade. Specifically, the Matching Service automates the manual affirmation action otherwise required to be taken by the parties to a trade in the absence of a centralized matching service.

To this end, the Securities Industry Association<sup>9</sup> identified ten "building blocks" as "essential to realizing the goal of improving the speed, safety, and efficiency of the trade settlement process."<sup>10</sup> The Matching

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<sup>5</sup> See Securities Exchange Act Release No. 34-49405 (March 18, 2004) (the "Transaction Settlement Release").

<sup>6</sup> *Id.*

<sup>7</sup> Committee on Payment and Settlement Systems ("CPSS") and the Technical Committee of the International Organization of Securities Commissions ("IOSCO").

<sup>8</sup> See Transaction Settlement Release, text preceding footnote 42.

<sup>9</sup> In 2006, the Securities Industry Association merged with the Bond Market Association to form the Securities Industry and Financial Markets Association ("SIFMA"). See <http://www.sifma.org/about/history/> (viewed November 5, 2012).

<sup>10</sup> See Transaction Settlement Release, text preceding footnote 5, citing "SIA T+1 Business Case Final Report" at 18-21 (August 2000).

Service fulfills the goals established by each of the four building blocks that can be fulfilled by a vendor of central matching services:

- SIA Building Block No. 2: “*Identify and comply with accelerated deadlines for submission of trades to the clearing and settlement systems.*”<sup>11</sup>

The Matching Service fulfills the goal expressed by this building block because it reduces the amount of time it takes to settle a trade. As described on Exhibit J, an automated central confirmation matching process operates more quickly than a manual matching process, reducing the number of steps and the need to re-key data at multiples points in the process. Since fewer steps are involved and the counterparties to a trade can significantly reduce the number of times information needs to be passed back and forth, they can proceed to settlement sooner and with more confidence.

As a fully automated central matching service, each function of the Matching Service occurs in real time. Customers and Firms provide allocation and trade information to the Registrant electronically via feed or can enter the information directly into the Matching Service. Once the Matching Service receives allocation information from the Customer and trade data from the Firm, the Matching Service compares the information in real-time, completing its confirmation matching function in less than one second. By reducing the amount of time it takes to match allocations, trades may be submitted to clearing and settlement systems on accelerated deadlines. The electronic delivery of an affirmed confirmation to DTC is also expected to happen in real time. Acceleration of the post-trade process dramatically reduces the risk of errors.

- SIA Building Block No. 4. “*Report trades to clearing corporations in locked-in format and revise clearing corporations’ output.*”<sup>12</sup>

The Matching Service fulfills the goal expressed by Building Block No. 4 because it performs an automated central confirmation matching service and, at the direction of the user, also generates an affirmed confirmation to DTC.

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<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

- SIA Building Block No. 9: “Develop industry matching utilities and linkages for all asset classes.”<sup>13</sup>

Building Block No. 9 calls for the development of services like the Registrant’s Matching Service and addresses directly the Registrant’s stated desire to provide enhanced services toward the goal of straight-through-processing.<sup>14</sup>

- SIA Building Block No. 10: “Standardize reference data and move to standardized industry protocols for broker-dealers, asset managers, and custodians.”<sup>15</sup>

The Matching Service fulfills the goal expressed by Building Block No. 10. Bloomberg is widely known as a standard for consistent and timely instrument reference data (e.g., security identifier, currency and default settlement date), the types of securities data that is needed to perform centralized confirmation matching. The BLOOMBERG PROFESSIONAL service and Bloomberg Data products offer standardized reference data for bonds and equities which are used globally throughout the financial industry.

In addition, the Matching Service uses the industry-led “Buy-Side Working Group” Financial Information eXchange (“FIX”) protocol which is widely used and is becoming industry standard.<sup>16</sup> In this way, the Matching Service will support and comply with industry standard messaging tools and protocols. As a result, for many market participants that already use and are familiar with this protocol and workflow, transitioning to use of the Registrant’s Matching Service would be smooth and efficient.

The Matching Service is also consistent with the 2002 recommendations of the SIA’s Institutional Transaction Processing Committee (“ITPC”) by, as noted above, eliminating the sequential steps and the need to re-key information required in a manual affirmation process.<sup>17</sup> The central feature of any centralized matching service is a single instance of keying in, manually or otherwise, of allocation data. Once the Customer enters its allocation data, it does not have to be re-entered by any party at any stage of

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<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> The “Buy Side Working Group” is a group of buy-side institutions and broker-dealers that has developed a FIX-based protocol and message workflow known as the “FIXProtocol Equity Post-trade Processing via FIX Guidelines.” The Buy Side Working Group’s FIX-based protocol is composed of a set of fields based on the FIX protocol and corresponding messaging workflows. Many buy-side institutions and broker-dealers plan to use this protocol and workflow to transmit allocation details and related trade information directly to each other instead of using certain functions of the only currently existing central matching service. The Buy Side Working Group’s FIXProtocol Equity Post-trade Processing via FIX Guidelines can be found at <http://www.fixprotocol.org/documents/6423/EquityAllocationsViaFIX-Guidelines-FIX%2042-44-v1.1.pdf>.

<sup>17</sup> See Transaction Settlement Release, text following footnote 24.

the process. The same concept applies to data entered by the Firm (such as commissions, fees and taxes). The matching process then takes place centrally on an automated basis, eliminating the sequential steps whereby one participant at a time must enter and review data. As noted above in connection with the SIA's building blocks, the reduction in the number of sequential steps and the elimination of the need for multiple instances of manual re-keying of the same data reduces risk and facilitates faster settlement.

As noted in the Transaction Settlement Release, the ITPC's 2002 White Paper argues that the implementation of straight-through-processing would allow the industry to realize a number of goals, including streamlining the operating process, increasing capacity, decreasing the number of exception items and reducing costs by eliminating many redundant and manual steps.<sup>18</sup> Consistent with the ITPC's concept of "an institutional transaction processing model in which trade data is matched" by a central matching service, the Registrant believes that its Matching Service meets the goals expressed by the ITPC in 2002 because it eliminates manual sequential steps and the need to re-key information, thereby streamlining the operating process. The Matching Service would increase overall matching capacity in the market. The Matching Service would also provide price competition to the market and, as a result, would reduce costs to market participants.

Although central matching was still relatively new at the time of the ITPC's 2002 paper, the usefulness of the central matching process has been observed by the market over the last decade through the service offerings of the only currently available central matching service. With only one option available, however, the market's ability to assess the value of central matching has not been fully realized.

By introducing the element of competition and the potential for better service and more functionality, the Registrant believes that the ITPC's goals may be achieved more fully and more efficiently. The Registrant's vision for straight-through-processing is consistent with the ITPC's concept of a unified model, which, as stated in the Transaction Settlement Release "treats the trade cycle as a unit from post-execution to settlement rather than a group of loosely related messages and processes."<sup>19</sup> The Registrant's Matching Service provides straight-through-processing and directly fulfills this goal.

The Registrant recognizes that the goals expressed in the Transaction Settlement Release contemplate broad improvements beyond the concept of central matching services.<sup>20</sup> The realization of these improvements requires the involvement of multiple market participants. To this end, the Registrant intends to devote resources to helping users and potential users of the Matching Service further the goal of straight-through-

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<sup>18</sup> *Id.*

<sup>19</sup> *Id.* Internal quotation marks omitted.

<sup>20</sup> *See Id.*, text following footnote 5, specifically the SIA's "building blocks" other than those addressed above.

processing, compressed settlement cycles and, ultimately, a reduction of risk throughout the financial markets.

### *Fostering Competition*

Expanding the offering of central matching services helps meet the demands of the securities industry while promoting competition among service providers.

The Congress has long recognized the value of healthy competition in the area of securities clearing and settlement. In its report on the Securities Act Amendments of 1975, the House Committee on Interstate and Foreign Commerce said:

It should be made clear that the statutory charge to develop a unified system for the clearance and settlement of securities transactions does not carry with it the call — nor does it grant the authority — to eliminate competition among separate entities in the performance of these functions. Many of the innovations and improvements in clearance and settlement of the last several years have been the product of vigorous and healthy competition among different service entities. Often new market entrants have been responsible for the most significant advances. The Committee believes, therefore, that a national system, though fully integrated, must make full allowance for the continuance and future entry of separate service entities.<sup>21</sup>

The Commission has also acknowledged the importance of competition in this space. In the 2004 Transaction Settlement Release, the Commission recognized the risks of implementing policy or taking regulatory action that could “stifle innovation and competition” and prevent the development of useful alternatives that may lead to improved efficiency.<sup>22</sup> In this vein, the Commission has effectively voiced support for alternatives that do not require the use of a particular service or technology.<sup>23</sup> The Registrant applauds this view and submits that its Matching Service is precisely the type of innovative solution the Commission anticipated by cautioning against the establishment of a mandatory or “one size fits all” approach.

The Commission has also supported industry efforts to improve the operation of the clearance and settlement system through the development of matching services, recognizing the Securities Industry Association’s characterization of these efforts as among the “building blocks essential to realizing the goal

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<sup>21</sup> See Report to Accompany H.R. 4111, Report No. 123, 94th Cong., 1st Sess. 51 (1975).

<sup>22</sup> See Transaction Settlement Release, text preceding footnote 38.

<sup>23</sup> See *Id.*

of improving the speed, safety and efficiency of industry participants domestically and internationally.”<sup>24</sup>

Granting the Registrant an exemption from registration as a clearing agency, subject to the conditions described below, would be consistent with the public interest, the protection of investors and the purposes of Section 17A of the Act, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.

## **II. Commercial Considerations**

Bloomberg’s core product is the BLOOMBERG PROFESSIONAL service, which provides financial market information, data, news and analytics to banks, broker-dealers, institutional investors, governmental bodies and other business and financial professionals worldwide. Currently, there are over 310,000 subscriptions to the BLOOMBERG PROFESSIONAL service. Bloomberg L.P. makes available to its customers that are broker-dealers, banks and institutional and professional investors a variety of electronic trading and order routing functions and post-trade functions that are accessible via the BLOOMBERG PROFESSIONAL service. These functions cover a wide range of asset classes, including equities, fixed income, derivatives and commodities. Bloomberg also offers order management systems for both buy-side and sell-side market participants.

A BLOOMBERG PROFESSIONAL service subscription includes a post-trade trade affirmation function known as “VCON,” which is used by a substantial number of buy-side and sell-side firms. VCON allows an institution and its broker-dealer that agree to a trade over the telephone, by e-mail or otherwise to reconcile the economics of the trade in a thorough manner. After a broker-dealer and its customer execute a trade over the phone or via an electronic trading platform, the broker-dealer can enter block trade information into VCON and send it to the customer, and the customer can enter trade information directly into VCON or into its order management system which will feed into VCON. The back office of each of the customer and the broker-dealer then uses information from VCON to process the trade for settlement. Once the customer’s front office completes a block trade affirmation, the customer can also use VCON to send allocations for that trade to the broker-dealer. A broker-dealer can accept the allocations and, if the customer wishes to use a central matching service, currently the customer or its custodian must retransmit the allocation information to Omgeo to be matched and transmitted to DTC.

In response to requests from multiple buy-side and sell-side customers, Bloomberg decided to enhance its existing VCON function by adding a confirmation matching service for DTC-eligible securities. Buy-side and sell-side institutions have asked Bloomberg to help diversify the market’s post-trade processing risk and to improve post-trade workflow by offering additional straight-through-processing solutions. The

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<sup>24</sup> See Settlement Concept Release, footnote 5 and corresponding text.

Registrant was formed to carry out this goal.

The Registrant believes that the market will benefit from the availability of functions provided by the Registrant and functions provided by Bloomberg L.P. that together allow professional investors to analyze potential trades, route an order to a broker, receive an execution notice from the broker, enter trade details and allocations, receive a matched confirmation and send an affirmed confirmation to DTC – the full life-cycle of a trade. The Registrant believes that the resulting synergies will support “prompt and accurate clearance and settlement of securities transactions.”<sup>25</sup> By making available a confirmation matching service accessible via the BLOOMBERG PROFESSIONAL service, which is commonly also used for electronic trading and post-trade processing, the Registrant and Bloomberg will afford the securities industry the opportunity to use complementary services from start to finish.

The Registrant believes that the market is uncomfortable with a single-provider model, and therefore a single point of dependency, in the post-trade processing space; it is becoming increasingly clear that market participants are ready for change.

### **III. Governance Matters**

The Registrant has established a governance structure designed to ensure that the Registrant’s Matching Service operates in a manner that is consistent with the public interest and the protection of investors. Specifically, the Registrant has

- established a Board of Directors to oversee the business of the Registrant;
- established fitness standards for qualification of each member of the Board of Directors; and
- established specific governance principles designed to guide the Board of Directors in its oversight of the Registrant’s affairs.

The Registrant also intends to establish an Advisory Board consisting of industry members and users of the Matching Service, including representatives from sell-side firms, buy-side institutions and custodians.

In addition, the Registrant intends to take additional steps to engage with the securities industry and the public as a further means of ensuring that the Matching Service operates in a manner that is consistent with the public interest and the protection of investors.

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<sup>25</sup> Section 17A(a)(1)(A) of the Act.

### *Fitness Standards for Directors*

The Registrant considered several factors in determining the composition of its Board of Directors, including whether members, both individually and collectively, possess the required integrity, experience, judgment, commitment, skills and expertise to exercise their obligations. Each member of the Registrant's Board of Directors must have the following attributes:

- Sufficiently good reputation in the business community;
- Requisite skills and expertise to fulfill their responsibilities as a member of the Registrant's Board of Directors;
- A clear understanding of such responsibilities; and
- The ability to exercise sound judgment regarding the Registrant's business affairs.

The Registrant's Board of Directors will be comprised of four members including one outside director. The Registrant's Board members are Peter T. Grauer, Elizabeth T. Mazzeo, Jean-Paul Zammit and Arthur Levitt, Jr.

**Director:** Peter T. Grauer

**Experience:** Peter T. Grauer is Chairman of Bloomberg Inc., the parent company of Bloomberg L.P. He has been a member of the Bloomberg Board of Directors since October 1996 and was named Chairman of the Board in March 2001 succeeding Michael R. Bloomberg. Mr. Grauer joined Bloomberg full time as Chairman, President and CEO in March 2002. Prior to this, he was a Managing Director of Donaldson, Lufkin & Jenrette from 1992 to 2000 when DLJ was acquired by Credit Suisse First Boston. He served as a Managing Director and Senior Partner of CSFB Private Equity until March 2002. Mr. Grauer is a founder of DLJ Merchant Banking Partners and DLJ Investment Partners. Mr. Grauer graduated from the University of North Carolina in 1968 and the Harvard University Graduate School of Business, Program for Management Development in 1975. Mr. Grauer serves as lead director of Davita, Inc. (NYSE: DVA), a healthcare services company based in California, and has been on the board of directors of over twenty-five public and private companies. He is a member of the Business Council and serves on its Executive Committee. Mr. Grauer is also a member of the International Business Council of the World Economic Forum and serves on its Media, Entertainment and Information Industry Board of Governors.

**Director:** Elizabeth T. Mazzeo

**Experience:** Elizabeth T. Mazzeo has served as the Chief Operating Officer of Bloomberg L.P. since 2013, with responsibility for Operations, Professional Development, Career Development and Administration, including Global Facilities, Purchasing, Supply Chain, Global Real Estate, Distribution, Asset Management, Printing and Mailing Services. Ms. Mazzeo is a member of Bloomberg L.P.'s Management Committee. From 2008 to 2012, Ms. Mazzeo served as the Global Head of Data Products for Bloomberg L.P. Ms. Mazzeo has worked for Bloomberg L.P. since 1986, when she was instrumental in developing Bloomberg's trading system, Bloomberg Tradebook and additional trading applications. Ms. Mazzeo helped build Bloomberg's contributed pricing product before becoming head of the Global Data Department, where she revolutionized the methods and technology that Bloomberg uses to process data. As such, she was responsible for several global business units, including all of Bloomberg's data products, the Bloomberg Valuation Service, Bloomberg Law and Bloomberg New Energy Finance. Ms. Mazzeo began her career on the syndicate desk of CM&M Securities, a division of Carroll, McEntee and McGinley, and also worked for financial services firm Integrated Resources prior to joining Bloomberg. Ms. Mazzeo holds a Bachelor of Science degree in Business Administration from the Villanova School of Business.

**Director:** Jean-Paul Zammitt

**Experience:** Jean-Paul Zammitt has served as the Head of Core Terminal for Bloomberg L.P. since 2013. From 2008 to 2012, Mr. Zammitt served as the Head of Product Management for Core Terminal for Bloomberg L.P. Mr. Zammitt has worked for Bloomberg since 1998 and currently oversees the global development of financial products and services across all asset classes on the BLOOMBERG PROFESSIONAL service, including Bloomberg's Launchpad 2010 and Bloomberg's credit analysis tool. Previously Mr. Zammitt served as head of sales for the BLOOMBERG PROFESSIONAL service in Europe, the Middle East and Africa. Prior to joining Bloomberg, Mr. Zammitt worked as a fixed-income broker at a number of different firms. Mr. Zammitt holds a Bachelor of Science degree in Industrial & Business Economics from the London School of Economics.

**Director:** Arthur Levitt, Jr.

**Experience:** Arthur Levitt, Jr. is a Senior Advisor to The Carlyle Group where he advises management on strategic business matters. Mr. Levitt is also a Senior Advisor to Goldman Sachs & Co. and serves on the Firmwide Suitability Committee and the Investment Management Division's Client Business Standards Committee. Mr. Levitt is a Bloomberg Board Member, an Advisory Board Member of GETCO, a Board Member for RiskMetrics Group, Inc. and a Senior Advisor for Promontory Financial Group. Mr. Levitt was the 25th Chairman of the United States Securities and Exchange Commission. First appointed by President Clinton in July 1993, the President reappointed Chairman Levitt to a second five-year term in May 1998. In September 1999, he became the longest-serving Chairman of the Commission. He left the Commission in February 2001. Before joining the Commission, Mr. Levitt owned Roll Call, a newspaper that covers

Capitol Hill. From 1989 to 1993, he served as the Chairman of the New York City Economic Development Corporation, and from 1978 to 1989, he was the Chairman of the American Stock Exchange. Prior to joining the American Stock Exchange, Mr. Levitt worked for 16 years on Wall Street.

The board of directors of the Registrant may authorize the creation of an Executive Committee and other committees. Board members have not been nominated to serve on committees at this time.

#### *Board of Directors Governance Principles*

The Registrant's Board of Directors has adopted a set of governance principles to which it adheres as it formulates policy and directs the management of the Registrant.

#### *Advisory Board*

To serve the interests of market participants, and the various supervisory authorities tasked with regulating financial markets, and to comply with the regulatory expectations and standards applicable to an exempt clearing agency, the Registrant seeks to ensure that an independent industry perspective is incorporated in the review and development of products and services. To this end, the Registrant intends to establish an Advisory Board. The Advisory Board will initially be composed of approximately nine to 15 members, at least one-third of whom will represent the buy-side perspective, and at least one-third of whom will represent the sell-side perspective. The Registrant also expects that custodians will be represented on the Advisory Board.

The Registrant intends to convene regular meetings of its Advisory Board and expects such meetings to be a venue for constructive discussion of the needs of the marketplace so that the Matching Service can continue to be developed and enhanced to most effectively support the prompt and accurate clearance and settlement of securities transactions. To facilitate the activities of its Advisory Board, the Registrant has adopted the following mission statement for the Advisory Board:

**MISSION STATEMENT OF THE ADVISORY BOARD  
OF BLOOMBERG STP LLC**

Bloomberg STP LLC operates a central confirmation matching service and is regulated as an exempt clearing agency by the U.S. Securities and Exchange Commission. Bloomberg STP LLC is dedicated to providing its confirmation matching service in a manner that meets the public policy goals of Section 17A of the Securities Exchange Act of 1934 (the "Act"), including:

- Promoting the prompt and accurate clearance and settlement of securities transactions;
- Facilitating the expansion of useful support services to reduce systemic risk;
- Eliminating unnecessary costs; and

- Maintaining fair competition among service providers.

The mission of the Advisory Board of Bloomberg STP LLC is to provide advice and recommendations to the Board of Directors of Bloomberg STP LLC that will assist Bloomberg STP LLC in fulfilling the policy goals of the Act in a manner that meets all applicable legal requirements and serves the interests of users of the confirmation matching service and the public at large.

#### *Additional Industry Support*

The Registrant intends to ensure that the Matching Service is designed to operate in a manner that is consistent with the public interest and the protection of investors by actively engaging with the industry it serves. The Registrant engages in frequent one-on-one contact with potential users of the Matching Service and once it begins operations, intends to engage in frequent contact with users of the Matching Service. The purpose of this contact is to ensure that the Matching Service is developed in a way that best meets the needs of its users. The Registrant engages with representatives of both the “buy-side” and the “sell-side” as a part of this effort, as well as custodians and fund service providers.

The Registrant plans to attend and present its products at Securities Industry and Financial Markets Association (“SIFMA”) conferences, International Swaps and Derivatives Association conferences and FIXProtocol FPL (Field Programmable Language) conferences.

#### **IV. Qualified Vendor Status**

The Registrant intends to meet the requirements of FINRA Rule 11860(b)(3) and MSRB Rule G-15(d)(ii)(B)(2) (the “SRO Rules”) in order to maintain “Qualified Vendor” status under the SRO rules.

*DTC Procedures.* The Registrant will follow DTC’s format in delivering trade record (matched confirmations) to DTC. Further, the Registrant will obtain a control number from DTC for each trade record, cross-reference such control number to the confirmation and subsequent affirmation of the trade, and include such control number when delivering the affirmation of the trade to DTC.

*Customer Certifications.* In accordance with the SRO Rules, the Registrant will make the following certifications to its customers:

- With respect to the Matching Service, the Registrant has a capacity requirements evaluation and monitoring process that allows it to formulate current and anticipated estimated capacity requirements.
- The Matching Service has sufficient capacity to process the specified volume of data that it reasonably anticipates to be entered into the Matching Service during the upcoming year.

- The Matching Service has formal contingency procedures, that the Registrant has followed a formal process of reviewing the likelihood of contingency occurrences, and that the contingency protocols are reviewed, tested and updated on a regular basis.
- The Matching Service has a process for preventing, detecting, and controlling any potential or actual systems integrity failures, and its procedures designed to protect against security breaches are followed.
- The Registrant's current assets exceed its current liabilities by at least \$500,000.

*Additional Compliance Measures.* The Registrant has implemented procedures to meet the following additional requirements of the SRO Rules:

- When it begins providing the Matching Service and annually thereafter, the Registrant will submit an auditor's report to the Commission staff, meeting the definition of "Audit Report" under the SRO Rules.
- The Registrant will notify the Commission staff immediately in writing of any changes to the Matching Service that significantly affect or have the potential to significantly affect the Matching Service, including without limitation, changes that: (i) affect or potentially affect the capacity or security of the Matching Service; (ii) rely on new or substantially different technology; or (iii) provide a new service to the Matching Service.
- The Registrant will immediately notify the Commission staff in writing if it intends to cease providing the Matching Service, and will supply supplemental information regarding the Matching Service as requested by FINRA or Commission staff.
- The Registrant will provide FINRA with copies of any submissions to the Commission staff made pursuant to the preceding three bullet points within ten (10) business days of such submissions.

## **V. Operational Matters**

In order to ensure the safety and soundness of automated securities information matching systems, the Registrant hereby undertakes, as a condition of obtaining the requested clearing agency registration exemption, the following:

## C.1. Operational Conditions

(1) Before beginning the commercial operation of its matching service, BSTP shall provide the Commission with an audit report that addresses all the areas discussed in the Commission's Automation Review Policies ("ARP").<sup>26</sup>

(2) BSTP shall provide the Commission with annual reports and any associated field work prepared by competent, independent audit personnel that are generated in accordance with the annual risk assessment of the areas set forth in the ARP. BSTP shall provide the Commission (beginning in its first year of operation) with annual audited financial statements prepared by competent independent audit personnel.

(3) BSTP shall report all significant systems outages to the Commission. If it appears that the outage may extend for thirty minutes or longer, BSTP shall report the systems outage immediately. If it appears that the outage will be resolved in less than thirty minutes, BSTP shall report the systems outage within a reasonable time after the outage has been resolved.

(4) BSTP shall provide the Commission with twenty business days' advance notice of any material changes that BSTP makes to the matching service. These changes will not require the Commission's approval before they are implemented.

(5) BSTP shall respond and require its service providers (including BLP) to respond to requests from the Commission for additional information relating to the matching service, and provide access to the Commission to conduct on-site inspections of all facilities (including automated systems and systems environment), records, and personnel related to the matching service. The requests for information shall be made and the inspections shall be conducted solely for the purpose of reviewing the matching service's operations and compliance with the federal securities laws and the terms and conditions in any exemptive order issued by the Commission with respect to BSTP's matching service.

(6) BSTP shall supply the Commission or its designee with periodic reports regarding the affirmation rates for institutional transactions effected by institutional investors that utilize its matching service.<sup>27</sup>

(7) BSTP shall preserve a copy or record of all trade details, allocation instructions, central trade matching results, reports and notices sent to customers, service agreements, reports regarding affirmation rates that are sent to the Commission or its designee, and any complaint received from a customer, all of which pertain to the operation of its matching service. BSTP shall retain these records for a period of not less than five years, the first two years in an easily accessible place.

(8) BSTP shall not perform any clearing agency function (such as net settlement, maintaining a balance of open positions between buyers and sellers, or marking securities to the market) other than as permitted in

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<sup>26</sup> See Exchange Act Release Nos. 34-27445 (Nov. 16, 1989), 54 FR 48703 (Nov. 24, 1989) ("ARP I"), and 34-29185 (May 9, 1991), 56 FR 22490 (May 15, 1991) ("ARP II"); see also Memorandum from the Securities and Exchange Commission Division of Market Regulation to SROs and NASDAQ (Jun. 1, 2001) ("Guidance for Systems Outages and System Change Notifications"), available at: <http://www.sec.gov/divisions/marketreg/sro-guidance-for-systems-outage-06-01-2001.pdf>.

<sup>27</sup> DTC submits monthly affirmation/confirmation reports to the appropriate self-regulatory organizations. The Commission anticipates a similar schedule for BSTP.

an exemption issued by the Commission.

(9) Before beginning the commercial operation of its matching service, BSTP shall provide the Commission with copies of the service agreement between BLP and BSTP and shall notify the Commission of any material changes to the service agreement.

## **C.2. Interoperability Conditions**

(1) BSTP shall develop, in a timely and efficient manner, fair and reasonable linkages between BSTP's matching service and other matching services that are registered with the Commission or that receive or have received from the Commission an exemption from clearing agency registration that, at a minimum, allow parties to trades that are processed through one or more matching services to communicate through one or more appropriate effective interfaces with other matching services.

(2) BSTP shall devise and develop interfaces with other matching services that enable end-user clients or any service that represents end-user clients to BSTP ("end-user representative") to gain a single point of access to BSTP and other matching services. Such interfaces must link with each other matching service so that an end-user client of one matching service can communicate with all end-user clients of all matching services, regardless of which matching service completes trade matching prior to settlement.

(3) If any intellectual property proprietary to BSTP is necessary to develop, build, and operate links or interfaces to BSTP's matching service, as described in these conditions, BSTP shall license such intellectual property to other matching services seeking linkage to BSTP on fair and reasonable terms for use in such links or interfaces.

(4) BSTP shall not engage in any activity inconsistent with the purposes of Section 17A(a)(2) of the Exchange Act,<sup>28</sup> which section seeks the establishment of linked or coordinated facilities for clearance and settlement of transactions. In particular, BSTP will not engage in activities that would prevent any other matching service from operating a matching service that it has developed independently from BSTP's matching service.

(5) BSTP shall support industry standards in each of the following categories: communication protocols (e.g., TCP/IP, SNA); message and file transfer protocols and software (e.g., FIX, WebSphere MQ, SWIFT); message format standards (e.g., FIX); and message languages and metadata (e.g., XML). However, BSTP need not support all existing industry standards or those listed above by means of example. Within three months of regulatory approval, BSTP shall make publicly known those standards supported by BSTP's matching service. To the extent that BSTP decides to support other industry standards, including new and modified standards, BSTP shall make these standards publicly known upon making such decision or within three months of updating its system to support such new standards, whichever is sooner. Any translation to/from these published standards necessary to communicate with BSTP's system shall be performed by BSTP without any significant delay or service degradation of the

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<sup>28</sup> 15 U.S.C. §78q-1(a)(2)(A)(ii).

linked parties' services.

(6) BSTP shall make all reasonable efforts to link with each other matching service in a timely and efficient manner, as specified below. Upon written request, BSTP shall negotiate with each other matching service to develop and build an interface that allows the two to link matching services ("interface"). BSTP shall involve neutral industry participants in all negotiations to build or develop interfaces and, to the extent feasible, incorporate input from such participants in determining the specifications and architecture of such interfaces. Absent adequate business or technological justification,<sup>29</sup> BSTP and the requesting other matching service shall conclude negotiations and reach a binding agreement to develop and build an interface within 120 calendar days of BSTP's receipt of the written request. This 120-day period may be extended upon the written agreement of both BSTP and the other matching service engaged in negotiations. For each other matching service with whom BSTP reaches a binding agreement to develop and build an interface, BSTP shall begin operating such interface within 90 days of reaching a binding agreement and receiving all the information necessary to develop and operate it. This 90-day period may be extended upon the written agreement of both BSTP and the other matching service. For each interface and within the same time BSTP must negotiate and begin operating each interface, BSTP and the other matching service shall agree to "commercial rules" for coordinating the provision of matching services through their respective interfaces, including commercial rules: (A) allocating responsibility for performing matching services; and (B) allocating liability for service failures. BSTP shall also involve neutral industry participants in negotiating applicable commercial rules and, to the extent feasible, take input from such participants into account in agreeing to commercial rules. At a minimum, each interface shall enable BSTP and the other matching service to transfer between them all trade and account information necessary to fulfill their respective matching responsibilities as set forth in their commercial rules ("trade and account information"). Absent an adequate business or technological justification, BSTP shall develop and operate each interface without imposing conditions that negatively impact the other matching service's ability to innovate its matching service or develop and offer other value-added services relating to its matching service or that negatively impact the other matching service's ability to compete effectively against BSTP.

(7) In order to facilitate fair and reasonable linkages between BSTP and other matching services, BSTP shall publish or make available to any other matching service the specifications for any interface and its corresponding commercial rules that are in operation within twenty days of receiving a request for such specifications and commercial rules. Such specifications shall contain all the information necessary to enable any other matching services not already linked to BSTP through an interface to establish a linkage with BSTP through an interface or a substantially similar interface. BSTP shall link to any other matching service, if the other matching service so opts, through an interface substantially similar to any interface and its corresponding commercial rules that BSTP is currently operating. BSTP shall begin operating such substantially similar interface and commercial rules with the other matching service within 90 days of

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<sup>29</sup> The failure of neutral industry participants to be available or to submit their input within the 120 day or 90 day time periods set forth in this paragraph shall not constitute an adequate business or technological justification for failing to adhere to the requirements set forth in this paragraph.

receiving all the information necessary to operate that link. This 90-day period may be extended upon the written agreement of both BSTP and the other matching service that plans to use that link.

(8) BSTP and respective other matching services shall bear their own costs of building and maintaining an interface, unless otherwise negotiated by the parties.

(9) BSTP shall provide to all other matching services and end-user representatives that maintain linkages with BSTP sufficient advance notice of any material changes, updates, or revisions to its interfaces to allow all parties who link to BSTP through affected interfaces to modify their systems as necessary and avoid system downtime, interruption, or system degradation.

(10) BSTP and each other matching service shall negotiate fair and reasonable charges and terms of payment for the use of their interface with respect to the sharing of trade and account information (“interface charges”). In any fee schedule adopted under conditions C.2(10), C.2(11), or C.2(12) herein, BSTP’s interface charges shall be equal to the interface charges of the respective other matching service.

(11) If BSTP and the other matching service cannot reach agreement on fair and reasonable interface charges within 60 days of receipt of the written request, BSTP and the other matching service shall submit to binding arbitration under the rules promulgated by the American Arbitration Association. The arbitration panel shall have 60 days to establish a fee schedule. The arbitration panel’s establishment of a fee schedule shall be binding on BSTP and the other matching service unless and until the fee schedule is subsequently modified or abrogated by the Commission or BSTP and the other matching service mutually agree to renegotiate.

(12) (A) The following parameters shall be considered in determining fair and reasonable interface charges: (i) the variable cost incurred for forwarding trade and account information to other matching services; (ii) the average cost associated with the development of links to end-users and end-user representatives; and (iii) BSTP’s interface charges to other matching services. (B) The following factors shall not be considered in determining fair and reasonable interface charges: (i) the respective cost incurred by BSTP or the other matching service in creating and maintaining interfaces; (ii) the value that BSTP or the other matching service contributes to the relationship; (iii) the opportunity cost associated with the loss of profits to BSTP that may result from competition from other matching services; (iv) the cost of building, maintaining, or upgrading BSTP’s matching service; or (v) the cost of building, maintaining, or upgrading value added services to BSTP’s matching service. (C) In any event, the interface charges shall not be set at a level that unreasonably deters entry or otherwise diminishes price or non-price competition with BSTP by other matching services.

(13) BSTP shall not charge its customers more for use of its matching service when one or more counterparties are customers of other matching services than BSTP charges its customers for use of its matching service when all counterparties are customers of BSTP. BSTP shall not charge customers any additional amount for forwarding to or receiving trade and account information from other matching services called for under applicable commercial rules.

(14) BSTP shall maintain its quality, capacity, and service levels in the interfaces with other matching services (“matching services linkages”) without bias in performance relative to similar transactions processed completely within BSTP’s service. BSTP shall preserve and maintain all raw data and records

necessary to prepare reports tabulating separately the processing and response times on a trade-by-trade basis for (A) completing its matching service when all counterparties are customers of BSTP; (B) completing its matching service when one or more counterparties are customers of other matching services; or (C) forwarding trade information to other matching services called for under applicable commercial rules. BSTP shall retain the data and records for a period not less than six years. Sufficient information shall be maintained to demonstrate that the requirements of condition C.2(15) below are being met. BSTP and its service providers shall provide the Commission with reports regarding the time it takes BSTP to process trades and forward information under various circumstances within thirty days of the Commission's request for such reports. However, BSTP shall not be responsible for identifying the specific cause of any delay in performing its matching service where the fault for such delay is not attributable to BSTP.

(15) BSTP shall process trades or facilitate the processing of trades by other matching services on a first-in-time priority basis. For example, if BSTP receives trade and account information that BSTP is required to forward to other matching services under applicable commercial rules ("pass-through information") prior to receiving trade and account information from BSTP's customers necessary to provide matching services for a trade in which all parties are customers of BSTP ("intra-hub information"), BSTP shall forward the pass-through information to the designated other matching service prior to processing the intra-hub information. If, on the other hand, the information were to come in the reverse order, BSTP shall process the intra-hub information before forwarding the pass-through information.

(16) BSTP shall sell access to its databases, systems or methodologies for transmitting settlement instructions (including settlement instructions from investment managers, broker-dealers, and custodian banks) and/or transmitting trade and account information to and receiving authorization responses from settlement agents on fair and reasonable terms to other matching services and end-user representatives. Such access shall permit other matching services and end-user representatives to draw information from those databases, systems, and methodologies for transmitting settlement instructions and/or transmitting trade and account information to and receiving authorization responses from settlement agents for use in their own matching services or end-user representatives' services. The links necessary for other matching services and end-user representatives to access BSTP's databases, systems or methodologies for transmitting settlement instructions and/or transmitting trade and account information to and receiving authorization responses from settlement agents will comply with conditions C.2(3), C.2(5), C.2(9), C.2(14) and C.2(15) above.

(17) For the first five years from the date of an exemptive order issued by the Commission with respect to BSTP's matching service, BSTP shall provide the Commission with reports every six months sufficient to document BSTP's adherence to the obligations relating to interfaces set forth in conditions C.2(6) through C.2(13) and C.2(16) above. BSTP shall incorporate into such reports information including but not limited to: (A) all other matching services linked to BSTP; (B) the time, effort, and cost required to establish each link between BSTP and other matching services; (C) any proposed links between BSTP and other matching services as well as the status of such proposed links; (D) any failure or inability to establish such proposed links or fee schedules for interface charges; (E) any written complaint received from other matching

services relating to its established or proposed links with BSTP; and (F) if BSTP failed to adhere to any of the obligations relating to interfaces set forth in conditions C.2(6) through C.2(13) and C.2(16) above, its explanation for such failure. The Commission shall treat information submitted in accordance with this condition as confidential, non-public information, subject to the provisions of applicable law. If any other matching service seeks to link with BSTP more than five years after issuance of an exemptive order issued by the Commission with respect to BSTP's matching service, BSTP shall notify the Commission of the other matching service's request to link with BSTP within ten days of receiving such request. In addition, BSTP shall provide reports to the Commission in accordance with this paragraph commencing six months after the initial request for linkage is made until one year after BSTP and the other matching service begin operating their interface. The Commission reserves the right to request reports from BSTP at any time. BSTP shall provide the Commission with such updated reports within thirty days of the Commission's request.

(18) BSTP shall also publish or make available upon request to any end-user representative the necessary specifications, protocols, and architecture of any interface created by BSTP for any end-user representative.

## **VI. Additional Statements**

The Commission may modify by order the terms, scope, or conditions of Registrant's exemption from registration as a clearing agency under the Act if it determines that such modification is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

The Commission may limit, suspend or revoke Registrant's exemption from registration as a clearing agency under the Act if it finds that the Registrant has violated or is unable to comply with any of the provisions set forth in the Exemptive Order issued by the Commission in connection with such exemption, if such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.