

## Item 1 – Cover Page



# INTERACTIVE DATA PRICING AND REFERENCE DATA LLC

32 CROSBY DRIVE, BEDFORD, MA 01730  
PHONE: 781-687-8500 FAX: 781-687-8005  
[WWW.INTERACTIVEDATA.COM](http://WWW.INTERACTIVEDATA.COM)

Dated 6/01/2012

This brochure provides information about the qualifications and business practices of Interactive Data Pricing and Reference Data LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number provided above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Interactive Data Pricing and Reference Data LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Interactive Data Pricing and Reference Data LLC is a registered investment adviser with the U.S. Securities and Exchange Commission. This registration does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This section includes a summary of material changes to our brochure since the last annual update to our brochure dated March 31, 2011. Since the last annual update, the Company has expanded coverage of our advisory services to include evaluations for certain Credit Default Swaps, as described in Item 8. The Company has also adopted an amended and restated Code of Ethics dated November 30, 2011, as described in Item 11. We may update this brochure from time to time.

You may obtain a copy of our current brochure via our 360View<sup>SM</sup> service or by sending a written request to:

Interactive Data Pricing and Reference Data LLC  
Attn: Compliance Department  
100 Church Street, 11<sup>th</sup> Floor  
New York, NY 10007

### Item 3 -Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 – Types of Clients .....	7
Item 8 – Methods of Analysis.....	7
Item 9 – Disciplinary Information .....	11
Item 10 – Other Financial Industry Activities and Affiliations .....	13
Item 11 - Code of Ethics.....	14
Item 12 – Brokerage Practices .....	15
Item 13 – Review of Accounts .....	15
Item 14 – Client Referrals and Other Compensation.....	16
Item 15 – Custody.....	16
Item 16 – Investment Discretion.....	16
Item 17 – Voting Client Securities .....	16
Item 18 – Financial Information.....	17

## **Item 4 – Advisory Business**

### **Company Overview:**

We provide evaluated prices, reference data, and global securities pricing designed to support financial institutions' and investment funds' pricing activities, securities operations, research and portfolio management. We collect, edit, maintain and deliver data on more than 10 million securities, including daily evaluated prices for approximately 2.8 million fixed income and international equity issues. We have been in business for more than 40 years.

Interactive Data Pricing and Reference Data LLC is a wholly owned subsidiary of Interactive Data Corporation. Interactive Data Corporation is a global provider of financial market data, analytics, and related services to financial institutions, active traders, and individual investors. In July 2010, Interactive Data Corporation was acquired by investment funds managed by Silver Lake and Warburg Pincus.

### **Advisory Business:**

We provide our clients with evaluated prices for securities that represent our good faith opinion as to what a buyer in the marketplace would pay for a security (typically in an institutional round lot position) in a current sale.

The kinds of securities for which we provide evaluations include:

- U.S. Corporate and Government Bonds, including investment grade and high yield bonds and preferred stock, fixed and floating rate securities, stripped coupon and principal issues,
- U.S. Money Market Instruments,
- U.S. Municipal Bonds – including taxable & tax-exempt, and investment grade and high-yield municipal securities,
- U.S. Convertible Securities,
- U.S. Commercial Mortgage-Backed Securities (CMBS),
- U.S. Collateralized Mortgage Obligations – Agency/Government Sponsored Enterprise (GSE) & Non-Agency,
- U.S. Asset-Backed Securities (ABS),

- U.S. Agency/GSE Pass-Through Securities – including FNMA, FHLMC, GNMA and SBA securities,
- Emerging Market Debt,
- U.S. whole loan residential mortgages, and
- Certain types of Security Based Swaps, including Credit Default Swaps.

We also provide evaluations prepared by staff at our international affiliates, Interactive Data (Europe) Ltd and Interactive Data (Australia) Pty Ltd for:

- International Corporate and Sovereign Issues,
- International Convertible Securities,
- European Money Market Instruments, and
- European ABS and MBS.

We provide evaluated prices for certain equity securities including:

- Global and American Depositary Receipts, and
- Fair Value Information Services for international equities, international equity index futures and international equity options.

We do not manage client money or portfolios or make recommendations to clients about which securities to buy or sell. Our evaluations are not tailored to the individual needs of our clients. Each client receives the same evaluation for the same security for a given point in time.

### **Products and Services; Alliances:**

We provide evaluated prices via a range of online and datafeed services. We provide evaluated pricing to clients indirectly through third party service bureaus for use on behalf of their clients. We also provide evaluated prices and other financial data to third-party data or software providers who distribute our services through customized interfaces and applications. For additional information about our products and services and alliances, please visit our website at: [www.interactivedata.com](http://www.interactivedata.com).

## **Item 5 – Fees and Compensation**

We provide our services to a wide range of primarily institutional clients (see Item 7 for additional information). We typically offer clients three types of fee arrangements:

- a fixed fee subscription (on either a multi-year, annual, quarterly or monthly basis),
- variable fees based on usage, or
- a combination of fixed fee subscription and usage-based fees.

A fixed fee subscription is a flat rate for services provided during the applicable period. Under usage based billing, fees are assessed at a variable rate based on the amount of data delivered or subscribed to during the period. Clients may also choose a combination of fixed rate and usage based billing. Under this method, fees are typically fixed for a predetermined amount of data with variable fees charged based on usage exceeding that amount.

Fees are subject to negotiation. Fees vary based on the services selected, method of delivery, and delivery frequency. The Company does not have a uniform fee schedule for the advisory business.

We invoice clients for services rendered. Fees are generally due and payable within thirty (30) days of receipt of invoice. We do not require or solicit prepayment of fees six months or more in advance. You may choose to pay for services in advance. In the event a contract is terminated before the delivery of the services subscribed to, we will refund to you any unearned pre-paid fees as determined in accordance with the terms of the contract.

### **Additional Fees and Expenses:**

Third party licenses and additional fees may apply for access to certain data. Clients are responsible for any applicable taxes and for the costs of all equipment, computers, hardware, leased lines, etc. to access and use the data.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not manage client money or portfolios, therefore we do not charge performance based fees. This section is not applicable.

## **Item 7 – Types of Clients**

We provide our services to a wide range of primarily institutional clients, including:

- Government entities
- Broker-dealers,
- Banks and thrifts,
- Clearing and custody firms,
- Investment advisers and investment companies,
- Other pooled investment vehicles (e.g., hedge funds and private funds),
- Fund administrators and processors,
- Pension and profit-sharing plans,
- Insurance companies,
- Corporations and other business entities,
- Public accounting and research firms, and
- Universities and other not-for-profit entities.

## **Item 8 – Methods of Analysis**

We provide our clients with evaluated prices for securities that represent our good faith opinion as to what a buyer in the marketplace would pay for a security (typically in an institutional round lot position) in a current sale. We do not manage client money or make recommendations to clients about which securities to buy or sell.

### **FIXED INCOME EVALUATIONS**

We offer daily evaluated pricing for approximately 2.8 million fixed income securities. Evaluations are based on market information available to us at the time and generated using our proprietary evaluated pricing models and methodologies. Our evaluated pricing models vary by asset class and incorporate available trade, bid and other market

information and for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, our evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, we use model processes, such as the Option Adjusted Spread model, to assess interest rate impact and develop prepayment scenarios. Our models and processes take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models.

The market inputs that we normally seek for evaluations of securities, listed in approximate order of priority, include:

- benchmark yields,
- reported trades,
- broker-dealer quotes,
- issuer spreads,
- two-sided markets,
- benchmark securities,
- bids,
- offers, and
- reference data including market research publications.

We also monitor market indicators, industry and economic events. Information of this nature is a trigger to acquire further market data. For certain security types, additional inputs may be used, or some of the standard inputs may not be applicable. Evaluators may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs listed are available for use in the evaluation process for each security evaluation on any given day.

We receive market data from third party sources, including our clients who may hold the securities being evaluated. Market information received from our clients is verified before use as an input into our evaluation process. Verification may be based on information from other sources, such as reportable trades, broker-dealers, trustee/paying agents, issuers, or from information prepared by our own internal credit analysis department or by internally reviewing market sector correlations.



Our evaluators follow multiple review processes throughout the month that help assess the available market, credit and deal level information in support of the evaluation process. If we determine we do not have sufficient objectively verifiable information to continue to support a security's evaluation, we will discontinue evaluating the security(ies) on an issue, issuer and/or deal level until we can obtain such information. We will attempt to give clients notice before we discontinue an evaluation.

### **Types of Fixed Income Evaluations:**

We offer bid, mean and ask evaluations. Mean and ask evaluations reflect a price or yield adjustment from the bid evaluation. This adjustment can vary by asset class, from sector to sector and/or by security type. The mean evaluation is generally the mid-point between the bid and the ask evaluation. Bid-mean-ask relationships typically remain constant once established, but can be adjusted as market conditions warrant.

For certain securities, including auction rate preferred, par bonds, certain defaulted municipal securities, State of Israel bonds, broker-quotes, and valuations from third-parties other than our affiliates, the mean and ask are typically the same as the bid.

## **SECURITY BASED SWAPS**

### **Credit Default Swaps**

We use a modified version of the industry-standard JPMorgan model to calculate evaluations for single-name global corporate and sovereign and index CDS. Single name corporate and sovereign bond evaluations, historical CDS consensus information, intra-day CDS trades, and other market data observed by our evaluators along with CDS quotes and pricing color from leading inter-dealer brokers are incorporated into the evaluation process.

## **EQUITIES**

### **Global & American Depositary Receipts (ADRs):**

We provide daily evaluated pricing for listed and unlisted ADRs. Our ADR evaluations are calculated using the most recent underlying equity price, the applicable currency rate (at London close), and an ADR factor that represents the number of underlying shares divided by the number of shares covered by the depositary certificate. ADRs are calculated at approximately 4:30PM Eastern Time. For Latin and South American market-based ADRs, we use an intra-day underlying price when trading is still in session.

### **Fair Value Information Services:**

Our Fair Value Information Services are designed to provide clients with various information that can be used to estimate a price for an exchange-traded equity issue that would likely prevail in a liquid market, in view of market information available at the time of each security's evaluation.

For equities, we use a historic multi-factor regression model. The model is designed to include such information as:

- The issue's local closing price,
- Relevant general and sector indices,
- Currency fluctuations,
- Depositary receipts, and futures, as applicable.

Each day, our evaluation team monitors the collection of relevant data from various internal and external sources. The model generates an Evaluated Adjustment Factor (EAF) for each security, which can be applied to the local closing price to adjust it for post-closing market movements. Using the EAF, the Fair Value Information Services can provide an evaluated price, which clients may consider as part of their fair value deliberations.

### **THIRD-PARTY VALUATIONS:**

We provide valuations for certain fixed income and other securities from third-parties including:

- Valuations for Canadian dollar-denominated corporate, treasury, provincial, and municipal bonds, zeros, strips, and trusts/funds provided by Securities Valuation (SVC),
- Valuations for certain Student Loan Auction Rate Securities (SLARS), Municipal Auction Rate Securities (MARS), and Auction Rate Preferred Securities (ARPS) provided by Pluris Valuation Advisors LLC,
- Valuations for certain complex structured securities, OTC derivatives, and loans made available by the Federal Reserve Bank of New York in connection with the Term Asset-Back Securities Loan Facility provided by Prism Valuation, and

- Valuations for bank loans and certain single-name and index credit default swaps provided by Markit Group Ltd.

**Broker Quotes:**

For certain securities, we provide broker quotes from market makers or broker-dealers that we recognize to be market participants when significant information about a security is not available to us, such as security structure, cash flow or other market information. Our broker quotes are adjusted based solely on our receipt of updated quotes. We compile a list of broker quoted securities on a daily basis as of market close. This list is available to clients upon request or through our online 360View<sup>SM</sup> service.

We do not consider broker quotes or third party valuations part of our advisory business.

**Risks:**

Evaluated prices are our good faith opinion of value. Evaluations may not conform to actual purchase or sale prices in the marketplace or to information available from third parties. Valuations based on different information, models, methodologies or assumptions may differ, in some cases materially, from our evaluations. Clients are responsible for, and must use their own independent judgment, regarding the use of our evaluations for any particular application.

**More Information:**

More detailed information about our evaluation processes can be found in our methodology sheets and *Summary of Inputs by Asset Class* documentation. These documents and other support documentation, applications and resources are available to clients upon request and through our online 360View<sup>SM</sup> service.

**Item 9 – Disciplinary Information**

We are required to disclose all legal or disciplinary events that are material to our clients' and prospective clients' consideration of our advisory services and the integrity of our management.

On December 11, 2003, we settled an administrative proceeding with the SEC regarding the evaluation of securities held by two high-yield municipal bond funds managed by

Heartland Funds Group in 2000. The SEC found that we had aided and abetted Heartland Advisors' violations of Sections 206(1) and 206(2) under the Advisers Act and Rule 22c-1(a) under the Investment Company Act by gradually decreasing evaluations for certain high yield municipal securities when more immediate decreases were warranted.

Under the terms of the settlement with the SEC, we were censured, ordered to cease and desist any violations or from causing any violations of Sections 206(1) and 206(2) under the Advisers Act and Rule 22c-1(a) under the Investment Company Act, paid a civil penalty of \$125,000, and were required to adopt new procedures regarding valuations for high-yield municipal securities and other securities for which market quotations are not readily available. We settled without admitting or denying the SEC's formal findings.

A copy of the order is available on the SEC's Web site at:

<http://www.sec.gov/litigation/admin/ia-2201.htm>.

There were no other material legal or disciplinary events regarding the company or our management in the prior ten years.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Affiliations:**

Our affiliates, Interactive Data (Europe) Ltd. and Interactive Data (Australia) Pty Ltd., provide evaluations for certain securities, which we make available to our clients. Interactive Data (Europe) Ltd. and Interactive Data (Australia) Pty Ltd. are wholly owned subsidiaries of Interactive Data Corporation under common control with us.

Interactive Data (Australia) Pty Ltd. has been granted an AFS license by the Australian Securities and Investments Commission. Interactive Data (Europe) Ltd. is not required to be registered in its jurisdiction.

In July 2010, our parent company, Interactive Data Corporation, was acquired by investment funds managed by Silver Lake and Warburg Pincus. Certain Silver Lake and Warburg Pincus private investment funds, including: SLTA III(GP), L.L.C., Silver Lake Group, L.L.C., Silver Lake Technology Associates III, L.P., Silver Lake Partners III, L.P., Warburg Pincus X, L.P., Warburg Pincus X, LLC, Warburg Pincus Partners, LLC, Warburg Pincus & Co., and Warburg Pincus Private Equity X, L.P. are identified as our control persons on Part 1 of Form ADV.

We do not believe the relationships described above create any material conflicts of interest with clients.

## Item 11 – Code of Ethics

We do not recommend securities to clients or buy or sell securities for client accounts. As a result, we are not faced with the types of conflicts of interest typically presented by traditional investment advisers that manage or invest clients' funds. We have adopted a Code of Ethics ("Code") as required pursuant to Rule 204A-1 under the Advisers Act, which outlines standards of conduct and addresses a number of potential conflicts of interest we have in providing our advisory services to you.

The Code of Ethics covers the following principal areas:

- standards of ethics expected of supervised persons, including that supervised persons owe a fiduciary duty to our advisory clients, must follow principles of integrity and honesty in dealings with clients, may not take unfair advantage of any client, and must avoid conflict of interests or the appearance of any conflicts of interest with clients – to avoid even the appearance of a conflict of interest, evaluators are not permitted to directly invest in the securities they evaluate;
- requirements for access persons to complete, and the Compliance department to review, initial and annual securities holdings and quarterly securities transactions reports, and a requirement for access persons to pre-clear investments in initial public offerings and limited offerings;
- requirements for supervised persons to promptly report violations of the Code of Ethics and to disclose transactions or relationships that might give rise to a conflict of interest;
- limitations on the actions of supervised persons, including that each supervised person must safeguard and keep confidential non-public client information, accept or provide only small gifts (generally defined as having a value of not more than \$100 for any individual gift and a value of not more than \$150 for multiple gifts from or to any one client or vendor during a calendar year and excluding cash and cash equivalents), and accept or provide business entertainment only if infrequent, modest and intended to serve legitimate business goals;
- prohibitions on the actions of supervised persons, including that each supervised person may not trade based on material, non-public information or tip others to trade based on material non-public information, and may not offer, give or receive bribes in connection with Company business; and
- recordkeeping requirements.

Each supervised person is provided a copy of the Code of Ethics and any amendments and is required to provide a written acknowledgment confirming that he or she has received a copy of the Code of Ethics. Personnel at our affiliates who prepare or supervise the preparation of evaluations are also subject to the Code of Ethics and are considered access persons.

**Compliance with the Code of Ethics:**

The Chief Compliance Officer is primarily responsible for implementing and administering the Code of Ethics. Supervised persons are required to report any violations of the Code of Ethics or applicable laws. Failure to comply with the Code of Ethics may result in disciplinary action, up to and including termination.

**Obtaining a Copy of the Code of Ethics:**

We will provide you a copy of our Code of Ethics upon request. To request a copy, you can contact us at the address or telephone number on the cover page of this brochure, attn: Chief Compliance Officer, or you can download a copy of our Code of Ethics at [www.interactivedata.com](http://www.interactivedata.com) under “Company-Corporate Governance.”

**Item 12 – Brokerage Practices**

We do not manage client money or make recommendations to clients about which securities to buy or sell. We do not select or recommend broker-dealers to clients.

This section is not applicable.

**Item 13 – Review of Accounts**

We do not manage client money or make recommendations to clients about which securities to buy or sell.

This section is not applicable.

## **Item 14 – Client Referrals and Other Compensation**

At a client's request, we may be reimbursed for the provision of advisory services under such client's soft-dollar arrangements with broker-dealers who may not be our clients. We do not believe these arrangements create any material conflicts of interest with clients.

We do not directly or indirectly compensate any third parties for client referrals.

## **Item 15 – Custody**

We do not have custody of client funds or securities.

This section is not applicable.

## **Item 16 – Investment Discretion**

We do not manage client money or have discretionary authority to manage securities on behalf of our clients.

This section is not applicable.

## **Item 17 – Voting Client Securities**

We do not have custody over or authority to vote client securities.

This section is not applicable.



## **Item 18 – Financial Information**

We are required to provide certain financial information when material to clients. We do not require or solicit prepayment of fees six months or more in advance. We have not been the subject of a bankruptcy petition.

Interactive Data<sup>SM</sup> is a registered service mark or service mark of Interactive Data Corporation in the United States or other countries. 360View<sup>SM</sup> is a service mark of Interactive Data Pricing and Reference Data LLC. Other products, services or company names mentioned herein are the property of, and may be the service mark or trademark of, their respective owners.