



Wealth and Investment Management

## **Investment Advisor Representative Program**

### **Wrap Fee Program Brochure**

**This wrap fee program brochure (the “Brochure”) provides information about the qualifications and business practices of Barclays Wealth and Investment Management (“Barclays”), the wealth and investment management division of Barclays Bank PLC, which functions in the United States through Barclays Capital Inc. If you have any questions about the contents of this Brochure, please contact us at 800 253 4626 (or +1 212 526 5600 if dialing from outside the United States). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.**

**Additional information about Barclays also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**31 March 2014**

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## Item 2      Material Changes

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This Item 2 summarizes the material changes to the Brochure since the version of this brochure dated 31 March 2013. For more details on any matter, please see the item in this Brochure indicated below.

- **Fees for Fixed Income Strategies:** The fee schedule for fixed income strategies is now 0.02% - 1.00%. (Item 4)
- **Cash Sweep Compensation:** Cash in client accounts custodied at Barclays may be invested in cash “sweep” products. Barclays receives compensation from certain banks and money market funds in connection with these products. In turn, Barclays pays a portion of this compensation to Investment Representatives. These payments may create an incentive to keep part of the account invested in cash. We address this conflict by disclosing it to you, and by having limits on the proportion of an account that can be held in cash. (Item 4)
- **Disciplinary Events:** On 26 December 2013, Barclays Capital Inc. , without admitting or denying FINRA’s findings, agreed to a censure and a fine of US\$3.75 million related to FINRA’s allegations that Barclays did not: (i) preserve certain electronic records in the format required under the Securities Exchange Act of 1934 (the “Exchange Act”); (ii) preserve certain electronic communications; and (iii) establish and maintain a supervisory system and written procedures reasonably designed to achieve compliance with the relevant laws, regulations and rules and to timely detect and fix deficiencies. FINRA alleged that these failures resulted in the violation of Section 17(a) and Rule 17a-4 under the Exchange Act, NASD Rules 2110, 3010 and 3110 and FINRA Rules 4511 and 2010. (Item 9)
- **Code of Ethics:** Our Code of Ethics covers all employees who perform investment advisory functions in any Barclays advisory program. Each year, these employees must certify that they have received the Code of Ethics. (Item 9)

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## Item 4 Services, Fees and Compensation

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Barclays Wealth and Investment Management (“Barclays”), the wealth and investment management division of Barclays Bank PLC operating through Barclays Capital Inc. (“BCI”) in the United States, offers a wide range of investment advisory services to meet the needs of clients with diverse investment objectives and goals. As described in “Item 6: Portfolio Manager Selection and Evaluation – Advisory Business” of this Brochure, Barclays offers a number of advisory programs and wrap fee programs. This Brochure relates to the Investment Advisor Representative Program (the “Program”), a wrap fee program.

### OVERVIEW OF THE PROGRAM

The Program is a fee-based investment advisory service designed to provide clients with customized investment advice on a discretionary or non-discretionary basis. Accounts are managed by investment advisor representatives (“IARs”) who have been approved to offer investment advice by an investment advisory committee (the “Investment Advisory Committee”) comprised of business, legal, compliance, manager research and risk personnel. Under the Program, the IAR will assist the client in developing an investment advisory strategy, and will make investment recommendations. The availability of investment strategies depends on a client’s IAR.

If the client grants Barclays discretionary authority, the client’s IAR has the authority to implement the account strategy by investing the assets without notifying the client of, or getting the client’s consent to, individual trades. If Barclays provides non-discretionary investment advice, the client’s IAR recommends investments that the IAR believes are appropriate, and the client accepts or declines each recommendation.

### FEES

Clients pay a single fee (the “Program Fee”) that covers investment advisory services as well as custodial and execution services provided by BCI. The Program Fee is calculated as a percentage of net assets under management and is generally payable quarterly in arrears. The current fee schedule is set forth below:

Strategy	Annual Program Fee Rate
Equity strategies	0.20% - 2.50%
Special strategies	0.20% - 2.50%
Fixed Income strategies	0.02% - 1.00%
Blended strategies	0.20% - 2.50%

The Program Fee rate is negotiable and, therefore, a client may pay a different fee than as set forth above. In addition, the assets of certain related accounts may be aggregated for purposes of determining the fee rate applicable to each account. Further, if a client opens a Program account as part of its Investment Philosophy Portfolio Multiple Accounts (“IPPMA”) Program relationship with Barclays, the Program Fee will be reduced or waived.

A portion of the Program Fee is paid to IARs and may be paid to employees of BCI’s affiliates. See “Compensation for Recommending the Program” below.

The primary service offered under the Program is customized investment advice provided by IARs. It is difficult to compare the Program Fee to the amount a client would pay to purchase separately the services provided under the Program because Barclays does not offer any other programs or services whereby clients

could pay for customized discretionary investment advice from IARs. Barclays offers programs where clients' assets can be managed on a discretionary basis by third party managers or Barclays portfolio managers. The costs for participating in such programs may be higher or lower than the Program Fee.

If a client held the same securities in a brokerage account as the client held in a Program account, the client would pay trading costs and expenses instead of the asset-based Program Fee. These trading costs and expenses could be lower than the Program Fee. However, the IAR would not provide investment advice to the client and manage the client's account, which is a key part of the Program service.

The Program Fee does not cover, and clients pay, if applicable:

- fees and charges for transactions executed by broker-dealers other than BCI, including execution or service charges (including commissions), mark-ups, mark-downs, spreads and odd-lot differentials
- fees charged by an investment product and which may be described in its prospectus, offering memorandum or other product documents, including fund investment management fees and redemption fees
- taxes relating to the account
- other fees charged by third parties including third party custodian fees, exchange fees, electronic fund transfer fees, ADR fees, auction fees, charges imposed by regulatory bodies and charges mandated by law
- Barclays' fees for opening or maintaining a brokerage account
- Barclays' fees under a client's retirement plan account documents for opening or maintaining a retirement account
- Barclays' interest and fees on margin and other loans, or on debit balances in an account
- fees in connection with foreign exchange transactions or conversions.

#### **COMPENSATION FOR RECOMMENDING THE PROGRAM**

A portion of the Program Fee is paid to IARs and may be paid to employees of BCI's affiliates in the event that such persons introduce clients or provide services to the Program. Such payments may be made for the duration of a client's participation in the Program or for a shorter period of time. The amount of compensation received by these persons may be greater if the client participates in the Program than it would be if the client paid separately for investment advice, brokerage and other services. The amount of compensation also varies by the type of strategy (e.g., equity vs. fixed income strategies). Therefore, these IARs and employees may have a financial incentive to recommend the Program (or certain strategies within the Program) over other Barclays programs and services.

Cash in client accounts custodied at Barclays may be invested in cash "sweep" products. Barclays receives compensation from certain banks and money market funds in connection with these products. In turn, Barclays pays a portion of this compensation to Investment Representatives. As well as the conflict described in the previous paragraph, these payments may create an incentive to keep part of the account invested in cash. We address this conflict by disclosing it to you, and by having limits on the proportion of an account that can be held in cash.

## Item 5 Account Requirements and Types of Clients

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Barclays' clients are generally high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, private funds, investment advisers, government entities, corporations and other business entities.

In general, there are no requirements to open or maintain an account in the Program. However, certain of the strategies offered through the Program may require a minimum account size.

## Item 6 Portfolio Manager Selection and Evaluation

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### INVESTMENT ADVISOR REPRESENTATIVE SELECTION AND EVALUATION

Clients' assets generally are managed by IARs and not by third party managers.

IAR candidates will apply and be considered for approval for the program by the Investment Advisory Committee, which consists of business, risk, manager research, legal and compliance personnel. In considering applications, the Investment Advisory Committee reviews each IAR's investment management experience, licenses and registrations, work history, and proposed investment strategy. Approved IARs manage clients' assets on either a discretionary or non-discretionary basis.

Before recommending that a client invests in one of the IAR's strategies in the Program, the IAR must determine that the investment is suitable for the client in light of the client's financial situation and investment objectives. The IAR's Regional Manager, or his or her delegates, also reviews accounts and investment strategies to determine if they are suitable.

The Investment Advisory Committee, in consultation with management, may terminate an IAR from the Program at the Investment Advisory Committee's discretion for any reason (e.g., if an IAR does not follow Program policies and procedures).

Account performance is calculated by Barclays using the time-weighted rate of return methodology (which is an industry standard methodology), and provided to clients in their performance reports. On a quarterly basis, an Investment Advisory Committee member reviews IAR performance against relevant benchmarks and reports his or her findings to the Investment Advisory Committee. Barclays also conducts other periodic reviews on accounts. See "*Item 9: Additional Information – Review of Accounts.*"

### RELATED PORTFOLIO MANAGERS

In the Program described in this Brochure, IARs act as portfolio managers. No other related persons act as portfolio managers. Barclays has a conflict of interest in using the services of IARs to manage client accounts because doing so could result in more compensation to Barclays than if unaffiliated portfolio managers were used. This conflict of interest is addressed (i) by disclosing to clients that the conflict exists, (ii) by disclosing to clients the availability of other Barclays-sponsored wrap programs that utilize the services of unaffiliated portfolio managers, and (iii) by enforcing a standardized suitability review during the account opening process.

## ADVISORY BUSINESS

In addition to the Program, Barclays sponsors several other wrap fee programs, each of which is fully described in its wrap fee program brochure (available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and is briefly summarized below:

*Portfolio Management Program (Equity, Fixed Income and ETF Tactical Allocation Strategies).* Clients invest pursuant to one or more equity, fixed income or ETF tactical allocation investment strategies managed by Barclays portfolio managers.

*Select Advisors Program.* Barclays maintains an approved list of investment managers and assists clients in identifying one or more that are best suited to the client's goals.

*Investment Philosophy Portfolio Multiple Accounts Program ("IPPMA").* Barclays provides asset allocation and investment advice for client portfolios on a discretionary or non-discretionary basis through the IPPMA Program.

*Accommodation Manager Program.* Clients independently select and retain third party investment managers while Barclays provides certain reporting and other services.

Barclays also offers several advisory programs, each of which is fully described in Barclays' ADV brochure (available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and is briefly summarized below:

*Portfolio Management Program (Options Overlay Strategies).* Clients select an options-based strategy to seek to enhance existing investment portfolios or generate returns with low correlations to traditional and alternative asset classes.

*Barclays Wealth Advisor Series Funds.* Barclays sponsors a series of private investment funds for which it either serves as investment adviser or has delegated investment discretion and portfolio management responsibilities to an unaffiliated manager selected by Barclays.

*Alternatives Accommodation ("Alternatives Accommodation").* Alternatives Accommodation allows Barclays to accommodate clients that wish to invest or retain an investment in third party private funds that are not approved by Barclays for any other advisory program or wrap program.

*Customized Client Solutions.* Barclays advises clients on a non-discretionary basis on asset allocation or on the merit of individual holdings within a portfolio, or provides asset allocation models that reflect Barclays' investment views regarding strategic asset allocation.

Barclays' wrap programs and advisory programs generally offer some level of customization for individual clients based on their particular circumstances. Depending on the program, clients may also be able to impose restrictions on investing in particular securities or types of securities.

## DIFFERENCES BETWEEN PROGRAM ACCOUNTS AND OTHER ACCOUNTS

The following describes differences between the treatment of Program accounts and other accounts managed by Barclays:

- *Selection of Broker-Dealers.* Generally, the fee paid by Program clients covers Barclays' investment advisory services as well as execution costs for transactions. As an investment adviser to the Program accounts, Barclays has an obligation to seek best execution. Consistent with that duty, Barclays typically places trades for Program accounts through BCI because the fee paid by Program clients covers execution costs only to the extent trades are executed through BCI or its affiliates.

Such execution costs may not be covered by the fee for trades executed away from BCI or its affiliates or for other Barclays advisory programs.

- *Tax loss harvesting.* While Barclays will make all reasonable efforts to accommodate Program client requests to engage in transactions intended to offset capital gains tax liability (“tax loss harvesting”), this service is typically not provided to other advisory program accounts where Barclays is the investment adviser.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Program does not charge performance-based fees and the IARs do not manage any other accounts for which a performance-based fee is charged.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

IARs may use a wide range of research information and methods of analysis to formulate investment advice, including trade journals, research reports prepared by Barclays and third parties, company presentations and interviews (in person or by telephone), contact with affiliated and outside analysts and consultants, corporate ratings services, annual reports and prospectus, filings with the SEC and personal assessment of the financial consequences of world events derived from general information or such other material as is appropriate under the particular circumstances. Subject to firm-wide restrictions dealing with prudence, conflicts of interest and compliance with securities laws and regulations, IARs are encouraged to use those methods of analysis that they have found useful.

Clients should understand that all investment strategies and the investments made as a result of implementing those investment strategies involve risk of loss that clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client’s investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for advisory accounts will be subject to various risks including market, liquidity, currency, economic and political risks, and will not necessarily be profitable.

This Brochure discusses general investment risks and the material risks associated with the asset classes in which clients’ accounts may invest. However, it is not intended to disclose every potential risk applicable to a client. Clients should carefully review any risk disclosures provided to them.

*Risk of Loss.* All investments risk the loss of capital and investment performance of any kind is not guaranteed.

*Management Risk.* The Program is subject to management risk. The Program may not achieve its objectives if Barclays’ expectations regarding securities or markets are not met. In addition, the departure of any key personnel from Barclays’ employ may affect the performance of the Program.

*Economic Environment.* Unforeseeable events may cause sharp market fluctuations, which could adversely affect a client’s investments. Changes in economic conditions, including, for example, interest rates, inflation rates, unemployment, wage growth, availability and cost of credit, structuring models, performance models, industry conditions, competition, technological developments, political events and trends, changes to tax laws and innumerable other factors, can substantially and adversely affect the performance of a client’s investments.

*Issuer Risk:* An account’s performance depends on the performance of individual securities in which the



account invests. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline or even become worthless. Barclays does not guarantee in any way the obligations or the financial condition or credit rating of any issuer or the accuracy of any financial information provided by any issuer in which an account may be invested.

*Risks Associated with each Asset Class:*

*Bonds.* Bonds are subject to market, interest rate and credit risk, and are also subject to availability and market conditions. Generally, the higher the interest rate the greater the risk. Bond values will decline as interest rates rise. Government bonds are subject to federal taxes. Municipal bond interest may be subject to the alternative minimum tax; other state and local taxes may apply. High yield bonds, also known as “junk bonds” are subject to additional risks such as the increased risk of default.

*Commodities.* Commodities are assets that have tangible properties, such as oil, metals, and agricultural products. Commodity asset classes tend to have higher volatility and downside risk compared to traditional asset classes like bonds and equities. The levels, values or prices of commodities can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Commodities prices are highly volatile and are affected by overall market movements and numerous other factors that affect the value of a particular industry or commodity in addition to economic activity. These include political events, weather, labor activity, direct government intervention, such as embargos, and supply disruptions in major producing or consuming regions. Those events tend to affect prices worldwide, regardless of the location of the event. Market expectations about these events and speculative activity also cause prices to fluctuate. Commodities are volatile investments and should only form a small part of a diversified portfolio. Diversification does not ensure against loss.

*Equity Securities.* Stocks and other equity-related instruments may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risk of loss. Equity securities fluctuate in value and such fluctuations can be pronounced. In general, stock values fluctuate in response to the activities of individual companies and in response to general market and economic conditions. Accordingly, the value of the stocks and other securities and instruments may decline over short or extended periods of time. The stock markets tend to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline.

*Emerging Markets.* Emerging markets tend to be more volatile than established markets due to the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations, and the possibility of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries. The small size of securities markets in such countries and the low volume of trading also may result in a lack of liquidity and in substantially greater price volatility.

*Real Estate.* Real estate is subject to various risks including, fluctuation in underlying property values, expenses and income and environmental liabilities.

*Alternative Trading Strategies.* Alternative trading strategies involve a high degree of risk and the value of investments made pursuant to such strategies may be highly volatile.

*Structured Products.* Structured products are financial instruments that are generally derived from or based on a single security, basket of securities, an index, one or more interest rates, a commodity or basket of commodities, a debt issuance, a foreign currency or basket of currencies and/or an

actively or passively managed fund or collection of funds. Structured products require the investor to assess several characteristics and risks that may not be present in other forms of investments, including structure risks (risks related to movements in the underlying asset and the effect of such movements on payouts under the structured products), price volatility, currency risks, liquidity risks, counterparty credit risks and other types of risks.

## VOTING CLIENT SECURITIES

Barclays has adopted written proxy voting policies and procedures (the “Proxy Policy”) pursuant to rule 206(4)-6 under the Advisers Act. The Proxy Policy seeks to ensure that proxies voted by Barclays are voted in the best economic interests of clients and meet Barclays’ fiduciary duties. Barclays oversees and monitors the proxy voting process.

Depending on the terms of a client’s advisory agreement, authority to vote client securities may be granted to Barclays, granted to a third party manager or retained by the client.

When Barclays has proxy voting authority, proxies and other solicitations are generally sent directly from the custodian to Barclays, and proxy votes are administered and voted by Institutional Shareholder Services Inc. (“ISS”), an expert in the proxy voting and corporate governance area. Barclays has reviewed and approved ISS’s proxy voting guidelines (the “Guidelines”). Accordingly, client proxies are voted as prescribed in the Guidelines except where (i) Barclays has determined that it would be in a client’s best interest for a proxy to be voted differently, (ii) the Guidelines are silent on how the proxy should be voted, (iii) ISS has a conflict of interest with respect to the vote, or (iv) ISS is unable to vote. In each case, the vote is determined by Barclays based on the client’s interests and after screening for and addressing any conflicts of interest faced by Barclays in determining the manner of the vote. Clients should be aware that Barclays may abstain from voting a proxy in instances where it has determined that abstention is in the client’s best interests. This might be the case, for example, if voting a proxy might result in selling restrictions being imposed on the security for some period of time after voting. Barclays might not vote if, for example, the client no longer holds the security, there is not enough time to analyze how to vote, or the costs of voting outweigh the benefits.

Additionally, clients may instruct Barclays on how to vote a particular proxy and Barclays will make reasonable efforts to follow such instruction even if it runs contrary to the Guidelines.

Clients may contact our Client Service Desk at 800 253 4626 (or +1 212 526 5600 if dialing from outside the United States) or may contact their Investment Representative to obtain a copy of the Proxy Policy, to seek information on any particular proxy solicitation, to direct a particular proxy vote, to change their grant of proxy voting authority, or to obtain information on how proxy votes have been cast on their behalf.

If a client retains proxy voting authority and has its assets custodied at Barclays or any of its affiliates, Barclays will arrange for proxies and other solicitations to be sent to the client. Barclays will not advise a client on proxy voting matters if it does not have authority to vote proxies on that client’s behalf.

Barclays will not advise or take action on legal notices or legal proceedings relating to securities in clients’ accounts. Clients will be fully responsible for acting with respect to such matters.

## Item 7 Client Information Provided to Portfolio Managers

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The IAR obtains information from the client during the account opening process, such as the client’s investment objectives, investment horizon and risk tolerance, and well as any desired account constraints or restrictions. The IAR uses this information to determine whether the Program is suitable for a client. Clients are asked to confirm or revise this information at least annually.

## Item 8 Client Contact with Portfolio Managers

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Clients have a direct relationship with their IARs and are not restricted in their ability to contact and consult with their IARs.

## Item 9 Additional Information

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### DISCIPLINARY INFORMATION

Below are summaries of certain legal or disciplinary events that may be material to a client's decision whether to retain Barclays. Additional information regarding these legal and disciplinary events is in Part 1A of BCI's Form ADV which is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

- On 26 December 2013, Barclays Capital Inc. ("BCI"), without admitting or denying FINRA's findings, agreed to a censure and a fine of US\$3.75 million related to FINRA's allegations that BCI did not: (i) preserve certain electronic records in the format required under the Securities Exchange Act of 1934 (the "Exchange Act"); (ii) preserve certain electronic communications; and (iii) establish and maintain a supervisory system and written procedures reasonably designed to achieve compliance with the relevant laws, regulations and rules and to timely detect and fix deficiencies. FINRA alleged that these failures resulted in the violation of Section 17(a) and Rule 17a-4 under the Exchange Act, NASD Rules 2110, 3010 and 3110 and FINRA Rules 4511 and 2010.
- On 27 June 2012, the Commodity Futures Trading Commission ("CFTC") and Barclays PLC, Barclays Bank PLC and BCI (collectively, the "Barclays Companies") entered into a settlement agreement through which the Barclays Companies consented to the entry of an Order Instituting Proceedings Pursuant to Sections 6(c), 6(d) and 9(a)(2) of the Commodity Exchange Act, as amended, Making Findings and Imposing Remedial Sanctions (the "Order"). Following is a summary of the CFTC's findings in the Order:

Over a period of several years beginning at least as early as 2005, the Barclays Companies, by and through its agents, officers and employees located in at least New York, London and Tokyo, attempted to manipulate, and made false, misleading or knowingly inaccurate submissions concerning, two global benchmark interest rates, LIBOR and EURIBOR.

During the period from at least mid-2005 through the fall of 2007, and sporadically thereafter into 2009, the Barclays Companies based their LIBOR submissions for U.S. Dollar (and at limited times other currencies) on the requests of current and former Barclays Companies swaps traders who were attempting to affect the official LIBOR rate in order to benefit their derivatives trading positions. This same conduct occurred with respect to the Barclays Companies' EURIBOR submissions during the period of at least mid-2005 through mid-2009.

During the period from approximately mid-2005 through at least mid-2008, certain Barclays Companies Euro swaps traders coordinated with and aided and abetted traders at certain other banks to influence the EURIBOR submissions of multiple banks, including the Barclays Companies, in order to affect the official EURIBOR rate and thereby benefit their respective derivatives trading positions.

During the financial crisis of late August 2007 through early 2009, the Barclays Companies lowered their LIBOR submissions in order to manage what it believed to be an inaccurate and negative public and media perception that the Barclays Companies had a liquidity problem, based in part on their high LIBOR submissions relative to submissions of other banks that the Barclays Companies believed were too low given market conditions. Pursuant to a directive by certain members of the Barclays Companies' senior management, the Barclays Companies submitted lower rates for U.S. Dollar LIBOR, and at limited times Yen and Sterling LIBOR, than what they had determined to be the appropriate rates.

The Barclays Companies' lack of specific internal controls and procedures concerning their submission processes for LIBOR and EURIBOR and their inadequate supervision of trading desks allowed this conduct to occur.

The CFTC ordered the Barclays Companies to cease and desist from violating Sections 6(c), 6(d) and 9(a)(2) of the Commodity Exchange Act and imposed a civil monetary penalty of US\$200 million against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc., jointly and severally.

In its consent to the Order, the Barclays Companies agreed to undertake the following: (1) to ensure the integrity and reliability of their Benchmark Interest Rate Submission(s); and (2) to identify, construct and promote effective methodologies and processes of setting Benchmark Interest Rates, in coordination with efforts by Benchmark Publishers, in order to ensure the integrity and reliability of such rates.

The Barclays Companies further represented and agreed to undertake that each Benchmark Interest Rate Submission by Barclays shall be based upon a rigorous and honest assessment of information, and shall not be influenced by internal or external conflicts of interest, or other factors or information extraneous to any rules applicable to the setting of a Benchmark Interest Rate.

The Barclays Companies also agreed to certain processes and procedures in furtherance of these undertakings.

In anticipation of an administrative proceeding, the Barclays Companies submitted an Offer of Settlement to the CFTC, which the CFTC accepted on 27 June 2012 when the CFTC issued the Order. Without admitting or denying the findings or conclusions set forth in the Order, except to the extent the Barclays Companies admit those findings in any related action against the Barclays Companies by, or any agreement with, the Department of Justice or any other governmental agency or office, the Barclays Companies consented to entry of the Order.

The CFTC expressly noted the Barclays Companies' significant cooperation during the investigation.

In a Final Notice ("Notice") dated 27 June 2012, the U.K. Financial Services Authority ("FSA") describes the settlement of its investigation of Barclays Bank PLC ("BBPLC"), the parent company of the registrant, Barclays Capital Inc. ("BCI"), in accordance with section 206 of the Financial Services and Markets Act 2000. The FSA's reasons for its issuance of the Notice, as set forth more fully in the Notice, are summarized below.

BBPLC acted inappropriately and breached Principle 5 of the FSA's Principles for Business on numerous occasions between January 2005 and July 2008 by making US dollar LIBOR and EURIBOR submissions that took into account requests made by its interest rate derivatives traders. At times these included requests made on behalf of derivatives traders at other banks.

BBPLC also breached Principle 5 on numerous occasions between February 2006 and October 2007 by seeking to influence the EURIBOR and (to a much lesser extent) the US dollar LIBOR, submissions of other banks. As a result of this conduct, there was a risk that the published LIBOR and EURIBOR rates would be manipulated.

BBPLC acted inappropriately and breached Principle 5 on numerous occasions between September 2007 and May 2009 by making LIBOR submissions that took into account concerns expressed by senior management of BBPLC that high LIBOR submissions from BBPLC would cause negative media perception of BBPLC's LIBOR submissions. This resulted in instructions being given by less senior managers to reduce LIBOR submissions in order to avoid negative media comment.

BBPLC breached Principle 3 from January 2005 until June 2010 by failing to have adequate risk management systems or effective controls in place in relation to its LIBOR and EURIBOR submissions processes. BBPLC had no specific systems and controls in place relating to its LIBOR and EURIBOR submissions processes until December 2009 (when BBPLC started to improve its systems and controls). BBPLC's misconduct was

exacerbated by these inadequate systems and controls and by failures to review whether its systems and controls were adequate.

BBPLC breached Principle 2 by failing to conduct its business with due skill, care and diligence when considering issues raised internally in relation to its LIBOR submissions. On three occasions during 2007 and 2008, LIBOR issues were escalated to BBPLC's Investment Banking compliance function, which failed in each case to assess and address the issues effectively. These compliance failures allowed BBPLC's breaches of Principles 5 and 3 to continue and also led to unclear and insufficient communication about issues to the FSA.

The FSA imposed a financial penalty of £59.5 million on BBPLC.

As set forth more fully in the Notice, in determining the appropriate level of the penalty to be paid by BBPLC, the FSA considered the nature and extent of the cooperation provided by BBPLC during the course of its investigation. The FSA acknowledged that BBPLC "provided extremely good co-operation", in particular in providing access to evidence and facilitating voluntary witness interviews which were conducted by the FSA together with other authorities.

In a related matter, under a Non-Prosecution Agreement ("NPA") dated 26 June 2012 with the U.S. Department of Justice Criminal Division, Fraud Section ("DOJ"), Barclays Bank PLC and its parent, subsidiaries and affiliates (collectively, "Barclays Group") admit, accept and acknowledge responsibility for the conduct set forth by the Department of Justice in the Statement of Facts ("Statement") attached to the NPA. Following is a summary of the Statement:

From approximately 2005 through 2007, and occasionally thereafter through approximately 2009, certain Barclays Group swaps traders requested that certain Barclays Group LIBOR and EURIBOR submitters submit LIBOR and EURIBOR contributions that would benefit the traders' trading positions, rather than rates that complied with the definitions of LIBOR and EURIBOR. The submitters accommodated these requests on numerous occasions. In addition, in some instances from at least as early as August 2006 through approximately January 2007, and then on another occasion in or about June 2009, Barclays Group Yen swaps traders made requests to Barclays Group Yen LIBOR submitters for favorable Yen LIBOR settings. Barclays Group Yen LIBOR submitters accommodated those requests on some occasions. The purpose of this activity was to manipulate Barclays Group's Dollar and Yen LIBOR contributions and its EURIBOR contributions and to influence the resulting LIBOR and EURIBOR fixes. Also, from at least approximately August 2005 through at least approximately May 2008, certain Barclays Group swaps traders made requests of swaps traders at other financial institutions for favorable LIBOR and EURIBOR contributions. Submissions by Barclays Group that took into account requests from swaps traders for favorable treatment were false and misleading.

From approximately August 2007 through at least approximately January 2009, Barclays Group often submitted inaccurate Dollar LIBORs that under-reported its perception of its borrowing costs and its assessment of an appropriate Dollar LIBOR submission, and were nearer to the expected rate contributions of other banks, at the direction of certain members of management of Barclays Group, including senior managers in the treasury department and managers of the money markets desk. Such rates were false because they were lower than what Barclays Group otherwise would have submitted and contrary to the definition of LIBOR. This was done to protect Barclays Group's reputation against media and market perceptions that Barclays Group had a liquidity problem based in part on its high LIBOR submissions relative to the submissions of other banks, which Barclays Group believed were too low given market conditions.

The manipulation of Barclays' submissions affected the fixed rates on some occasions.

Barclays Group agreed to pay a monetary penalty of US\$160 million to the United States Treasury.

In the NPA, the DOJ expressly noted Barclays Group's thorough and timely cooperation and commitment to future cooperation with the DOJ and other government authorities in the United States and United Kingdom.

- On 22 December 2011, Barclays Capital Inc. (BCI), without admitting or denying FINRA's allegations and findings, voluntarily agreed to a censure and to pay a fine of US\$3 million related to FINRA allegations that BCI failed to supply investors with accurate information with respect to certain mortgage-backed securitizations on the website maintained by BCI pursuant to the requirements of Securities and Exchange Commission Regulation AB ("Reg AB Website"). FINRA alleged that BCI's failure to maintain accurate information on its Reg AB Website resulted in the violation of National Association of Securities Dealers Rules 3010 and 2110, and FINRA Rule 2010.
- On 14 January 2011, BBPLC reached a settlement with the Financial Services Authority ("FSA") in which the FSA alleged that BBPLC violated Principle 9 and rules COB 5.3.5 R and COBS 9.2.1 R because it failed to take reasonable care to ensure the suitability of the advice it gave with respect to two funds that it sold, the Aviva Global Balanced Income Fund and the Aviva Global Cautious Income Fund. BBPLC agreed to a fine of approximately US\$12 million, to pay restitution to any customers whose sales were deemed unsuitable and to enhance its sales processes.

Barclays Bank PLC ("BBPLC") has disclosed in annual results announcements, annual reports and accounts and Forms 20-F and other publicly available filings since 2007 that it has been conducting an internal review of its conduct with respect to U.S. dollar payments made between 1 January 2000 and 31 July 2007, involving countries, persons and entities subject to U.S. economic sanctions and that it has been reporting the results of that review to the U.S. Authorities (as defined below). BBPLC announced on 18 August 2010 that it had reached settlements (the "Settlements") with the United States Department of Justice, the Manhattan District Attorney's Office, and the US Department Of Treasury's Office of Foreign Assets Control ("OFAC") (together the "U.S. Authorities") in relation to the investigation by those agencies into compliance with U.S. sanctions and U.S. dollar payment practices. In addition, an Order to Cease and Desist has been issued upon consent by the Federal Reserve Bank of New York and the New York State Banking Department. BBPLC agreed to a total penalty of US\$298 million and has entered into Deferred Prosecution Agreements covering a period of 24 months. The Deferred Prosecution Agreements mean that no further action will be taken against BBPLC by the U.S. Authorities if, as is BBPLC's intention, for the duration of the defined period it meets the conditions set forth in its agreements with the U.S. Authorities. The Settlements did not involve the Wealth and Investment Management division of Barclays or its investment advisory activities and the Settlements will not have any impact on clients' account or the services that Barclays provides to clients.

- On 6 June 2007, BBPLC, without admitting or denying the findings contained therein, consented to the issuance of a court order in which the SEC found that BBPLC violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Exchange Act Rule 10b-5 by engaging in the purchase and sale of certain distressed debt securities while aware of material non-public information concerning such debt issuers and not enforcing trading restrictions when in possession of material non-public information. Based on these findings, BBPLC agreed to a fine of US\$6 million, disgorgement of approximately US\$4 million and prejudgment interest of approximately US\$1 million.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to its registration with the SEC as an investment adviser, BCI is registered with the SEC and the Financial Industry Regulatory Authority as a securities broker-dealer and with the National Futures Association and CFTC as a futures commission merchant (an "FCM"), commodity pool operator (a "CPO") and commodity trading advisor (a "CTA"). BCI is also registered with the SEC and the Municipal Securities Rulemaking Board ("MSRB") as a municipal advisor. BCI is also a primary dealer in U.S. government securities. BCI is controlled by Barclays Bank PLC, which is a bank and both a non-U.S. broker-dealer and non-U.S. investment adviser with a license to provide investment and banking products in various jurisdictions. In addition, certain of Barclays' management persons are registered as registered representatives of BCI (in its capacity as a registered broker-dealer) and associated persons of BCI (in its capacity as a registered FCM, CPO or CTA).

Advisory clients should be aware of the following:

- BCI's principal business is that of a registered broker-dealer and provider of investment banking services. Generally, Barclays Wealth and Investment Management's advisory clients have a brokerage relationship with BCI. BCI's obligations to a client are different when it acts as an adviser through Barclays Wealth and Investment Management as compared to when it acts as a broker-dealer. When BCI acts as broker-dealer, its primary role is to execute trades. BCI receives compensation, including commissions, when it executes such transactions and typically is not acting as a fiduciary with respect to its broker-dealer activities. When BCI acts as an investment adviser through Barclays Wealth and Investment Management, its primary role is to provide investment advice. It receives advisory fees from its advisory clients and has a fiduciary obligation to such clients. However, this does not mean that BCI is acting as an investment adviser or fiduciary with respect to the totality of that client relationship. Barclays is likely to earn more compensation if a client opens an investment advisory account instead of a brokerage account (although you would not receive the same services in a brokerage account). This creates a conflict of interest because Barclays has a financial incentive to recommend that clients open investment advisory accounts. Barclays addresses this conflict by disclosing it to clients and by reviewing each client's account when opened, and periodically after that, to check that it is suitable for the client in light of the client's financial circumstances and investment objectives.
- Barclays generally executes client transactions through BCI. BCI may receive compensation including, but not limited to, commissions when it executes such transactions.
- Barclays may be prohibited from freely exercising its investment discretion for the benefit of clients as a result of restrictions arising from Barclays' affiliations. For example, in the course of their financial services activities, Barclays' affiliates may acquire confidential or material non-public information about an issuer and as a result Barclays may be prohibited from effecting transactions in that issuer's securities on behalf of clients, even in situations where doing so would be a suitable and prudent investment for its clients. In addition, Barclays may be subject to regulatory requirements or policy mandates that exist as a result of its affiliation with Barclays PLC and its subsidiaries (the "Barclays Group"), and such requirements and mandates may restrict Barclays' investment discretion. For example, such requirements may prohibit Barclays from recommending, purchasing or selling certain securities for clients' accounts that it would have in the absence of such restrictions. Barclays addresses this conflict by disclosing it to clients in this Brochure.
- Certain management persons of Barclays also hold positions with the affiliates discussed in the foregoing paragraphs. In carrying out their responsibilities, these management persons may have some responsibility for the business of those affiliates and their compensation may be based, in part, on the profitability of such affiliates. Therefore, the management persons face the same conflicts of interest that exist between Barclays Wealth and Investment Management and those affiliates. Barclays addresses this conflict by disclosing it to clients in this Brochure.

To address these conflicts of interest, Barclays has established a variety of oversight committees (such as a brokerage committee, investment committee, and a portfolio management committee). The committees review certain reports and interview accountable persons and seek to ensure that effective controls are in place. Barclays has also implemented certain policies and procedures designed to address these conflicts, such as Best Execution, Confidential Information and Material Non-Public Information and Code of Ethics.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Barclays Wealth and Investment Management Investment Adviser Code of Ethics (the "Code") applies to all employees who perform investment advisory functions (collectively, "Covered Employees") under the Investment Advisor Representative and Portfolio Management Programs. The Code sets forth the expected

standards of business with respect to (among other things) personal trading, giving and receiving of gifts and entertainment, insider trading, outside business activities, and rules for dealing with government officials and political contributions. The Code requires Covered Employees at all times to place the interest of clients first, to refrain from taking advantage of their positions inappropriately, and to comply with federal securities laws and regulations and escalate actual and perceived violations. Each Covered Employee receives a copy of the Code upon hiring and annually thereafter and is required to certify upon hiring that he or she has received the Code, and annually thereafter is required to certify that he or she has received the Code with any amendments.

Personal investment activities raise a number of potential conflicts of interest and create opportunities for employees to take advantage of their positions inappropriately. Among other examples, (i) an employee may trade ahead in his or her personal account on the knowledge of transactions that are being contemplated for advisory accounts; or (ii) an employee may effect transactions in advisory accounts for the sole purpose of manipulating the prices of securities in which the employee has a financial interest.

Barclays Capital Inc. has also adopted a Global Personal Investments Policy. This policy applies to all firm employees and any individuals over whose investment decisions the employee may exert any control or influence in relation to all personal investment activities. The policy also applies to contingent workers.

Upon joining the firm, employees and contingent workers are required to disclose and seek approval for any personal account; any managed account, any private investment or product which might give rise to perceived or actual conflicts of interest with the firm. After joining the firm, employees are required to seek approval for each of the following activities which are undertaken: the opening or closing of a personal account; the opening or closing of a managed account; a personal account transaction; and a private investment transaction. Employees are also required to maintain their personal accounts with designated brokers. Barclays Capital Inc. strongly discourages short-term personal account dealings and to this end, requires a minimum holding period for all personal account transactions of 14 calendar days. The Code also prohibits same-day trading in the same security as client accounts.

Clients and prospective clients may request a copy of the Code applicable to Barclays Wealth and Investment Management by contacting our Client Service Desk at 800 253 4626 (or +1 212 526 5600 if dialing from outside the United States).

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Barclays and its affiliates (including its employees) provide a wide variety of financial services and participate in the financial markets in a number of different capacities on behalf of themselves or their clients. Among other roles, Barclays and its affiliates may act as an investment banker, investment adviser, distributor, underwriter, broker-dealer, prime broker, agent or principal. As a consequence of these activities, Barclays and its affiliates may have a direct or indirect financial or other interest in Investment Products or other securities that Barclays recommends, buys or sells for advisory clients, which presents a conflict of interest. Advisory clients should be aware of the following:

**Recommending Affiliated Investment Products:** Barclays may recommend to advisory clients Investment Products or other securities with respect to which a Barclays Entity is the sponsor, manager, or issuer. Barclays and its affiliates have a financial interest, and the recommendation raises a conflict of interest for Barclays, because an advisory client's investment in the particular Investment Product or security will result in increased compensation or other benefits to Barclays or one or more of its affiliates. Barclays has a corresponding conflict of interest if it makes a negative recommendation with respect to the Investment Product or security because doing so would result in decreased compensation or other benefits to one or more of Barclays' affiliates. For example, Barclays has a financial interest in the following products or services that might be recommended to advisory clients: (i) an investment in a Barclays Wealth Advisor Series Fund, (ii) an investment in a Barclays-sponsored wrap program, or (iii) use of cash sweep programs in which an



affiliate of Barclays is a participating bank. Barclays addresses this conflict by disclosing it to clients and by reviewing each client's account when opened, and periodically after that, to check that it is suitable for the client in light of the client's financial circumstances and investment objectives.

**Investing in Securities Recommended to Clients:** In the normal course of business, Barclays and its affiliates may have a financial interest in securities that Barclays recommends to advisory clients, or may acquire a financial interest in securities about the same time that Barclays recommends those securities to advisory clients. In these situations, Barclays' and its affiliates' investing activities for their own accounts may affect the prices of securities that Barclays' advisory clients also hold. Further, Barclays and its affiliates may take action with respect to such securities that may disadvantage advisory clients (for example, where Barclays and its affiliates on the one hand, and advisory clients on the other, invest in different parts of the capital structure of the same issuer or in different classes of securities of the same issuer). Barclays may take action or give advice with respect to its own accounts, or other clients' accounts, that differs from the timing or nature of the action with respect to clients' accounts. There are information barriers between Barclays' investment advisory business and its proprietary trading function that are designed to safeguard the information and research on which investment decisions are made and prevent Barclays and its affiliates' proprietary trading personnel from front running.

**Principal Transactions:** Principal transactions occur when BCI, for its own account, buys securities from or sells securities to an advisory client. This creates a conflict of interest because BCI is buying securities from or selling securities to clients, and therefore has an incentive to buy at a low price or sell at a high price. To address this conflict, BCI will comply with applicable law, which requires disclosure and client consent before completing the transaction.

**Agency Cross Transactions:** When appropriate and permitted by law, BCI or an affiliate of BCI may act as broker for, and receives a commission from, an advisory client on one side of a transaction and the party on the other side of the same transaction (an "agency cross transaction"). BCI will have a potentially conflicting division of loyalties and responsibilities. Barclays addresses this conflict by obtaining written consent from advisory clients prospectively for agency cross transactions and conducts such transactions accordance with Rule 206(3)-2 of the Advisers Act. An advisory client may revoke its written consent at any time by written notice to the Barclays.

**Cross Transactions:** Cross transactions occur when Barclays causes an advisory account to buy securities from or sell securities to another advisory account without involving a broker-dealer or sending the orders to the market (a "cross trade"). In a cross trade, Barclays may have a potentially conflicting division of loyalties and responsibilities to both sides of the cross trade. To address this conflict, Barclays will only execute cross trades to the extent consistent with best execution and so long as no advisory client is disfavored.

**Breadth of Advisory Activities:** The strategies offered within Barclays' advisory programs may be managed by independent teams within Barclays who are not required to develop and follow complementary investment strategies. Consequently, advisory accounts can have investment objectives or portfolios that are opposed to each other. Different advisory accounts may also invest in different parts of the capital structure of the same issuer and may therefore have divergent interests in certain situations. As a result of the foregoing, when Barclays recommends, purchases or sells a security for an advisory account, Barclays may already have an interest in that security as a result of services rendered to another advisory account, and in some instances those interests might conflict. Barclays addresses this conflict by disclosing it to clients.

**Barclays as Secured Lender:** Investment advisory clients may, in some circumstances, be able to margin their investment advisory accounts. When a client margins an account, Barclays is the lender, receives margin interest and has a financial interest in protecting its collateral. If the value of assets designated as collateral falls below Barclays' requirements, Barclays may sell securities. Accordingly, while Barclays is still the client's investment adviser, it has a conflict of interest because it may exercise its rights as lender to avoid incurring a loss even though this harms the client's interests. We address this conflict by disclosing it to clients both in this Brochure and in the margin documents clients receive.

**Participation in the Underwriting of Securities Offerings:** BCI may serve as a market-maker, manager or co-manager or other participant in the underwriting of initial and secondary public offerings of securities, or may provide other services to the issuer of such a security (such as merger and acquisition strategy or corporate finance). If Barclays directs its advisory clients to transact in that security, such transactions could impact on the security's price, which may indirectly benefit (or act to the detriment of) BCI. Further, if an advisory client purchases the security from BCI or its affiliates when they act as an underwriter or dealer in a distribution, the transaction will be effected at the public offering price and BCI or its affiliates will receive an underwriting fee or selling concession with respect to the transaction. As such, Barclays has a conflict of interest because its recommendation with respect to that security could affect the revenues earned by BCI. Barclays addresses this conflict by disclosing it to clients.

**Personal Transactions:** Barclays' investment advisory personnel might have financial interests in securities they recommend, purchase or sell for advisory accounts. See "*Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading*" above for a description of the attendant conflicts of interest and how they are addressed.

**Valuation:** If Barclays has custody of the assets in an advisory account, those assets are valued under Barclays' valuation policies in a way Barclays reasonably decides reflects fair market value, which may involve using Barclays Group valuations or independent pricing services. Barclays may value an identical asset differently from another Barclays Group business division. Barclays may face a conflict with respect to valuations as they affect the amount of Barclays' advisory fees.

Barclays has also adopted policies and procedures that impose certain conditions and restrictions on proprietary transactions and those executed on behalf of advisory clients. Various information barriers exist within or between Barclays Wealth and Investment Management, BCI and other members of the Barclays Group. Such policies and procedures are reasonably designed to detect and prevent, among other things, any improper or abusive conduct wherever any potential material conflict of interest may exist with respect to an advisory client.

## REVIEW OF ACCOUNTS

Investment Representatives are responsible for reviewing accounts at account opening in order to assess whether the respective Portfolios are appropriate to meet clients' investment objectives, and for conducting similar account reviews periodically after that. In addition, an account review may be triggered: (i) if a client contacts Barclays to request changes to its investment objectives, (ii) if there are significant changes to the Portfolio or the account, or (iii) in conjunction with a broader review of a particular investment strategy.

Clients generally receive a monthly written statement for each month in which there is portfolio activity and written confirmations of all portfolio trades. Clients also receive quarterly written performance reports that show performance results for the current quarter, calendar year to date and since inception of the account. Where applicable, clients' performance reports may also include comparative performance of relevant benchmarks.

## CLIENT REFERRALS AND OTHER COMPENSATION

Barclays may enter into third party solicitation agreements under which third parties may solicit and refer clients to Barclays and receive compensation. The compensation is a negotiated amount, typically a percentage of Barclays' investment advisory fees (excluding third party manager payments) earned from investment advisory accounts opened by referred clients. All compensation paid to the third party referring the client will be disclosed to the client as required by applicable law.

## FINANCIAL INFORMATION

Not applicable.

Barclays offers wealth management products and services to its clients through Barclays Bank PLC ("BBPLC") and functions in the United States through Barclays Capital Inc. ("BCI"), an affiliate of BBPLC. BCI is a registered broker dealer and investment adviser, regulated by the U.S. Securities and Exchange Commission, with offices at 200 Park Avenue, New York, New York 10166. Member FINRA and SIPC.

Barclays Bank PLC is registered in England and authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered No. 1026167. Registered Office: 1 Churchill Place, London E14 5HP.