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## **Barclays Wealth and Investment Management ETF Tactical Allocation (“BETA”) Program**

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**This wrap fee program brochure provides information about the qualifications and investment advisory business practices of Barclays Wealth and Investment Management, the wealth and investment management division of Barclays Bank Plc. If you have any questions about the contents of this brochure, please contact us at 800.392.5000. 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. Investment adviser registration does not imply a certain level of skill or training.**

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

**January 1, 2013**

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## **MATERIAL CHANGES**

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This section describes the material changes to our Form ADV Part 2A Appendix 1 wrap fee brochure since the last annual amendment on March 31, 2011.

### **Branding Integration**

Barclays Wealth is now known as the Wealth and Investment Management division of Barclays.

### **Disciplinary History**

An update to the disciplinary events reported for Barclays Capital Inc. is as follows:

An update to the disciplinary events is included in our Form ADV Part 2A to reflect (i) a settlement agreement dated June 27, 2012 among Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. and the U.S. Commodity Futures Trade Commission, (ii) a Final Notice dated June 27, 2012 issued by the U.K. Financial Services Authority to Barclays Bank PLC, and (iii) a Non-Prosecution Agreement dated June 26, 2012 among Barclays Bank PLC and its parent, subsidiaries and affiliates (collectively, "Barclays Group") and the U.S. Department of Justice Criminal Division, Fraud Section, in each case in connection with certain LIBOR and EURIBOR submissions made by Barclays Group for the period from 2005 to 2009.

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## **SERVICES, FEES AND COMPENSATION**

Barclays Wealth and Investment Management ("Barclays"), as a part of Barclays PLC and its subsidiaries (the "Barclays Group") and functioning through Barclays Capital Inc. ("BCI"), offers a wide range of investment advisory services to meet the needs of clients with diverse investment objectives and goals. This Brochure relates to the Barclays ETF Tactical Allocation Program (the "Program"), which is a fee-based investment advisory service designed to assist clients in investing in a multi-asset class or single asset class portfolio primarily through the use of exchange traded funds ("ETFs").

### **Overview of the BETA Program**

The Program is designed to meet client objectives through the use of different investment portfolios ("Portfolios"). Each Portfolio is managed to replicate, through investments in ETFs (and exchange traded notes ("ETNs") to the extent that the desired ETFs are not available), a particular "Tactical Asset Allocation" developed by Barclays, as described below. Each Tactical Asset Allocation provides a target asset allocation among specified asset classes and sub asset classes (for example, equity, fixed income, etc.) for investors with a specific objective and specific tax status.

The Program uses ten ETF-based Portfolios -- eight of which are designed to replicate Tactical Asset Allocations specific to two defined levels of risk tolerance and take into account four categories of tax situations and two of which include equity only or primarily equity investments. The Portfolios are as follows:

- 1) Moderately Aggressive /Federal Tax Payer Only
- 2) Moderately Aggressive / Federal & State of New York Tax Payer
- 3) Moderately Aggressive / Federal & State of California Tax Payer
- 4) Moderately Aggressive / Exempt Tax Payer
- 5) Moderately Conservative / Federal Tax Payer Only
- 6) Moderately Conservative / Federal & State of New York Tax Payer
- 7) Moderately Conservative / Federal & State of California Tax Payer
- 8) Moderately Conservative / Exempt Tax Payer
- 9) Equity Only
- 10) Equity Focused

The Tactical Asset Allocations used by the Moderately Aggressive Portfolios and the Moderately Conservative Portfolios generally are comprised of asset classes including equity, fixed income, real estate, and commodities with different allocations to the asset classes to reflect the two different Portfolio risk profiles. The Moderately Aggressive Portfolios may experience increased levels of volatility when compared to the Moderately Conservative Portfolios in seeking to achieve increased levels of return.

The Equity Only and Equity Focused Portfolios are based primarily on the equity sub asset classes in the Moderately Aggressive Tactical Asset Allocations.

The tax status differentiation for the Portfolios is implemented mainly through the types of government bond ETFs used in the Portfolios.<sup>2</sup>

All Portfolios seek performance against an appropriate benchmark.<sup>3</sup>

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<sup>2</sup> Barclays reserves the right to add or remove a Portfolio from the Program at any time. Clients invested in a Portfolio to be removed from the program will be notified with reasonable advance notice so that another appropriate Portfolio may be selected by the client or to allow sufficient time for the client to terminate participation in the Program.

<sup>3</sup> BCI and its affiliates do not provide tax advice. Please note that: (i) any discussion of US tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

Barclays will identify for a client the Portfolio that is most appropriate for the client based on the investment objectives, financial situation and tax status of that client (as indicated by the client on the Program Suitability Questionnaire, which is discussed below).

### *Investing in the BETA Program*

The Program is designed for clients who want a diversified multi asset class portfolio or an equity asset class based portfolio. Participation in the Program requires a client to grant Barclays full discretionary authority over its Program account ("Account"), including cash deposited to fund the Account, and the authority to buy ETFs and ETNs for the Account.

### *Client Suitability*

A Barclays Investment Representative ("Investment Representative") will determine whether the Program is suitable for a client based upon the information the client provides in the suitability questionnaire ("Suitability Questionnaire"). In addition, an Investment Representative will rely on this information when identifying an initial Portfolio for a client, and will continue to rely on this information during the time a client remains invested in a Portfolio. Therefore, it is important that the information a client provides to Barclays in the Questionnaire is accurate and complete. Any changes in such information should be provided to the Investment Representative on a timely basis.

### *Investment Restrictions*

Program clients may impose certain reasonable restrictions on the purchase of specific securities in their Account. Barclays will not accept any restrictions that are unreasonable or inconsistent with the stated investment strategy or philosophy of the Program or that are inconsistent with the Program's nature or operation (i.e., ETF Portfolios based on Barclays Tactical Asset Allocations). The determination of whether to accept a requested restriction is made solely at the discretion of Barclays. If Barclays accepts a restriction on an Account, the performance of that Account may differ from similar unrestricted accounts.

## **Investment Management of the BETA Program**

### *Barclays Tactical Asset Allocations*

As mentioned above, each Program Portfolio is managed to replicate a particular "Tactical Asset Allocation." Specifically, the Tactical Asset Allocations are developed for U.S. investors by the Barclays Global Investment Advisory Committee ("BWGIAC") based on Barclays market and economic analysis. BWGIAC is comprised of strategists who specialize in analyzing various asset classes including equities, fixed income and alternative products from within and outside the U.S. In developing the Tactical Asset Allocations, the BWGIAC also draws on the experience of the Barclays Investment Strategy Committee (the "Committee"), which is comprised of senior research and strategy professionals from across the Barclays Group.

The BWGIAC and the Committee determine when and how changes to the Tactical Asset Allocations will be adjusted by actively monitoring certain factors that they believe influence market cycles. These factors include, but are not limited to, economic factors such as growth rates and inflation rates, the geopolitical environment and monetary and fiscal policies, and securities market factors such as corporate profits, valuation levels, yields of short-term and long-term bonds and technical conditions.

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3 The benchmarks are as follows: (i) for the moderately aggressive portfolios: 75% global equities (MSCI All World returns in USD, unhedged), and 25% Barclays Capital U.S. Aggregate Bond Market Index; and (ii) for the moderately conservative portfolios: 25% global equities (MSCI All World returns in USD, unhedged) and 75% Barclays Capital U.S. Aggregate Bond Market Index; and the MSCI All World Index for Equity Only and Equity Focused portfolios.

A team of portfolio managers for the Program (the “Portfolio Management Team”) has final discretion for the construction and management of the Program Portfolios. The Portfolio Management Team will periodically make adjustments to each BETA Portfolio as needed.

#### Permitted Portfolio Investments

The Program Portfolio Management Team will use ETFs (and ETNs to the extent that the desired ETFs are not available) in the Program Portfolios.

ETFs. ETFs are open-end investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. The ETFs used in the Portfolios are designed to track an index. Unlike mutual funds, individual investors do not purchase or redeem shares from the fund. Instead, individuals buy and sell shares of ETFs like stocks on an exchange. Because of their unique structure, ETFs may offer lower operating expenses and greater investment flexibility than mutual funds and broader diversification opportunities than investments in individual stocks or other securities.

A majority of Program assets will be invested in ETFs listed on various U.S. stock exchanges. The Program is an open architecture program, and the Portfolio Management Team will select ETFs from the ETF universe for the Portfolios. The ETFs eligible for inclusion are non-proprietary ETFs. Information about potential conflicts of interest related to an ETF is provided below in the subsection entitled “Participation or Interest in Client Transactions.”

ETNs. ETNs are senior, unsecured, unsubordinated debt securities of an issuer. They are designed to provide investors with a way to access the returns of market benchmarks or strategies. ETNs are not equities or index funds, but they do share several characteristics. For example, like equities, they trade on an exchange and can be sold short. Like an index fund, they are linked to the return of a benchmark index. ETNs issued by Barclays PLC or any of its subsidiaries are not permitted investments for Program Portfolios. Cumulative positions in any other ETN issuer in any Portfolio is restricted to 5% of the Portfolio.

#### Investment Selection and Due Diligence

The Portfolio Management Team’s construction of the Portfolios generally will be driven by finding the ETF that best replicates and represents the performance and risk of each asset class and/or sub asset class within the relevant Tactical Asset Allocation. The Portfolio Management Team will identify ETF investments using various qualitative and quantitative measures, including, lowest tracking error, highest liquidity, highest trading volume and lowest fees. The selection criteria for ETNs will be conceptually consistent with the process for ETF selection.

Investments that meet the defined criteria are then purchased by the Portfolio Management Team according to the weights provided in the relevant Tactical Asset Allocation. Investments also are selected with the intention of providing exposure to the various assets classes in the relevant Tactical Asset Allocation.

#### Account Activity and Rebalancing

The Portfolio Management Team is responsible for the choice of ETFs and any ETNs in the Portfolios and may decide to buy or sell investments for various reasons, including to remain consistent with the Tactical Asset Allocation or to reflect a change in a client’s personal or financial situation which might warrant a change in the client’s recommended Portfolio. In the event of a change in a client’s personal or financial situation, or if Client requests a change to a different BETA Portfolio, Client understands that the initial Account will be closed, and a new Account will be opened. Barclays will exercise best efforts to minimize potential adverse tax consequences related thereto. Please ask your Investment Representative for the BETA Account Change Form.

### Tax Loss Harvesting

Tax loss harvesting is generally available to clients investing in the Program upon request. Barclays will make best efforts to accommodate such requests by clients. In order to take advantage of tax loss harvesting, a client should be aware that they must sell out of the portfolio for thirty (30) days, remain in cash (or in assets that are not substantially identical stocks or securities) for those thirty (30) days, and then reinvest to comply with any tax related rules and regulations. If Barclays accepts a tax loss harvesting request on an Account, the performance of that Account may differ from similar accounts without a tax loss harvesting request. As neither Barclays nor its affiliates are tax advisors, clients must consult their tax advisor for specific tax planning advice pertaining to their situation.

### Administrative Services and Custody

Barclays performs certain services for Program clients, including certain administrative, custodial and related services. Barclays will open and maintain one or more brokerage accounts in each client's name with Barclays located at 200 Park Avenue, New York, New York 10166.

If a change in Portfolio composition includes the selection of a new ETF or ETN, Barclays will send the affected clients a copy of the prospectus or summary prospectus for that particular investment to the extent required by law.

### Voting Client Securities

If instructed by a client, Barclays will vote on proposals presented to shareholders of ETFs or ETNs held in the client's Account. For Accounts custodied outside Barclays, client will be responsible for instructing its custodian to forward all proxies, proxy solicitations and other issuer-related materials to Barclays.

Alternatively, a client may instruct Barclays to send directly to the client all proxies and proxy solicitations on the securities held in its Account. If Barclays does not have authority to vote proxies and has custody of the assets, Barclays will send clients all proxies, proxy solicitations and other issuer-related materials relating to the ETFs or ETNs in the account. In cases where it does not have the authority to vote securities, Barclays does not render any advice with respect to a particular proxy solicitation.

Notwithstanding a client's selection regarding proxies, legal notices related to investments in a client's BETA Portfolio will be sent to clients directly by Barclays. Barclays will not advise or act for clients in legal proceedings, including class action litigations and bankruptcies, involving securities in client accounts. Clients will be fully responsible for acting with respect to such legal proceedings.

### Summary of Proxy Voting Policies and Procedures

Barclays has implemented written Proxy Voting Policies and Procedures ("BCI Proxy Voting Policy") that are designed to reasonably ensure that Barclays votes proxies prudently and in the best interest of its advisory clients for whom the advisor has voting authority. The BCI Proxy Voting Policy also describes how Barclays addresses any conflicts that may arise between its interests and those of its clients with respect to proxy voting.

Barclays Proxy Committee is responsible for developing, authorizing, implementing and updating the BCI Proxy Voting Policy, overseeing the proxy voting process and engaging and overseeing any independent third-party vendors as voting delegate to review, monitor and/or vote proxies. In order to apply the BCI Proxy Voting Policy in a timely and consistent manner, and to the extent permitted under contract, Barclays uses RiskMetrics/ISS Governance Services ("ISS") to vote proxies in accordance with the Barclays voting guidelines.

To obtain a copy of Barclays BCI Proxy Voting Policy, please call Barclays (toll-free) at 1-800-253-4626. Clients may also obtain information about how Barclays voted their specific proxies by calling their Investment Representative.

## **Fees**

### **Information about the Program Fees**

Barclays will charge a single Program fee covering discretionary investment management, brokerage and custodial services, the services the client receives from Barclays Investment Representatives, and the communications clients are provided to keep them informed about their Accounts.

Program fees, expressed at an annual rate as a percentage of assets under management, will be charged quarterly in arrears and deducted directly from a client's Account. Fees will begin accruing as soon as the Account is funded by the client. Barclays reserves the right to amend Program fees at any time upon thirty (30) days' prior written notice to clients. Please see the BETA Program Client Agreement for additional information about Program fees and minimums.

The Program fees shown below are expressed as a percentage of assets under management in an Account and is based on the amount of the initial investment in the Account. **The following table sets forth the standard range of Program annual fees effective March 30, 2012:**

<b>Initial Investment</b>	<b>Fee</b>
\$200,000 - \$499,999	1.25%
\$500,000 - \$999,999	1.15%
\$1,000,000 - \$1,999,999	1.05%
\$2,000,000 - \$4,999,999	0.90%
\$5,000,000 - \$9,999,999	0.80%
\$10,000,000 - \$19,999,999	0.70%
\$20,000,000 +	negotiable

The Program fee may be negotiable based upon a number of factors including, but not limited to, the size of the Program account and the nature of the client's relationship with Barclays. Note that there may be some fee schedules that are no longer offered to new clients. Additionally, some clients may pay different fees which may be higher or lower and that are not currently available.

For clients who invest in a particular money market fund in connection with the Program through the Barclays Cash Sweep Program, Barclays may be compensated for providing transfer agency, shareholder servicing, distribution and/or custodial services with respect to such funds. The particular cash sweep product may be considered part of the cash component of the particular BETA Portfolio, and a client will not be charged a separate fee for this product. The Program fee will not be reduced by amounts received by Barclays with respect to its services to such money market funds.

The Investment Representative for an Account will receive a portion of the fee charged to the Account.

### **Cost for Clients**

Participation in the Program and the payment of the inclusive Program fee may cost a client more or less than the client would pay if the client were to purchase separately the services provided under the Program. Factors that bear upon the cost of the Program wrap fee arrangement in relation to the cost of the same services purchased separately include, among others, the expected and/or historical size or number of trades for the account, the type and size of the account and the number and range of supplementary advisory and client-related services provided to the account.

Furthermore, an investor could invest directly in the securities included in a Portfolio outside of the Program without incurring the Program fee, but such an investor would not receive the active management services Barclays provides and may incur transaction and redemption charges.

### **Other Fees and Expenses**



In addition to the Program fees described above, clients may bear additional fees or charges relating to transactions which are conducted by broker-dealers other than BCI. These additional fees and charges may include any execution or service charges, dealer mark-ups and mark-downs, odd-lot differentials, exchange fees, transfer taxes, electronic fund transfer fees, and any charges mandated by law.

### **Compensation for Recommending the Wrap Fee Program**

A portion of the fees and charges under the Program may be paid to Barclays Investment Representatives or employees of BCI affiliates in the event that such persons introduce the Program to clients. Such payments may be made for the duration of the Accounts. The amount of the fees received by Barclays Investment Representatives and/or employees of BCI affiliates may be greater if the client participates in the Program than they would be if the client paid separately for investment advice, brokerage and other services. Therefore, Barclays Investment Representatives and employees of BCI affiliates may have a financial incentive to recommend the Program over another alternative.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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### **Account Requirements**

To open an Account, a client must generally deposit at least \$200,000 in cash. Subsequent contributions to an Account may be in any amount. Barclays reserves the right to close an Account if the Account balance falls below the minimum initial investment due to withdrawals. Barclays may waive the minimum initial investment and balance requirement in its sole discretion.

### **Types of Clients**

Barclays may recommend the Program to different investors with substantially similar investment objectives. Subject to a determination by Barclays that the Program is suitable for a particular client, the Program is available to any of Barclays current or potential clients, including, but not limited to, individuals, joint accounts, plans, trusts, other pooled investment vehicles, charitable organizations, corporations or other business entities.

### **Termination of BETA Program Accounts**

The BETA Client Agreement may be terminated at any time on written notice by Barclays or the client, and termination will become effective on receipt of such notice. The procedures and conditions pursuant to which Barclays or any client may terminate the BETA Client Agreement are described in the BETA Client Agreement. If the BETA Client Agreement is terminated, the Program fee will be pro-rated until such time as the assets are transferred out of the Account. Termination of the BETA Client Agreement will not affect or preclude the consummation of any transaction initiated prior to termination.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

Barclays does not select or recommend portfolio managers in connection with the Program. Please see the section of this Brochure entitled "Services, Fees and Compensation" for a discussion of the investment selection and due diligence process for ETFs and ETNs that are made available through the Program.

## **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Barclays does not select or recommend portfolio managers in connection with the Program. However, as noted above, each client is asked to complete a Suitability Questionnaire prior to opening an account. The Investment Representative will rely on this information when identifying an initial Portfolio for a client, and will continue to rely on this information during the time a client remains invested in a Portfolio. Therefore, it is important that the information a client provides to Barclays in the Suitability Questionnaire

is accurate and complete. Any changes to such information should be provided to the Investment Representative on a timely basis.

An investment representative may consider assets that are managed outside of the Program in connection with the identification of an initial Portfolio for the client.

## **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Barclays does not select or recommend portfolio managers in connection with the Program. However, Barclays will make available on request appropriate investment personnel, including potential representatives of the Portfolio Management Team, who are knowledgeable about the client's account and its management. A Barclays Investment Representative may elect to participate in any communications involving representatives of the Portfolio Management Team.

## **ADDITIONAL INFORMATION**

### **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 available in Part 1 of BCI's Form ADV at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

On June 27, 2012, the CFTC and Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. (collectively, "Barclays") entered into a settlement agreement through which Barclays 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 ("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, Barclays, 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, Barclays based its LIBOR submissions for U.S. Dollar (and at limited times other currencies) on the requests of current and former Barclays 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 Barclays 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 Euro swaps traders coordinated with and aided and abetted traders at certain other banks to influence the EURIBOR submissions of multiple banks, including Barclays, 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, Barclays lowered its LIBOR submissions in order to manage what it believed to be an inaccurate and negative public and media perception that Barclays had a liquidity problem, based in part on its high LIBOR submissions relative to submissions of other banks that Barclays believed were too low given market conditions. Pursuant to a directive by certain members of Barclays senior management, Barclays submitted lower rates for U.S. Dollar LIBOR, and at limited times Yen and Sterling LIBOR, than what it had determined to be the appropriate rates.

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

The CFTC ordered Barclays 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 \$200 million against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc., jointly and severally, which must be paid before July 7, 2012.

In its consent to the Order, Barclays agreed to undertake the following: (1) to ensure the integrity and reliability of its 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.

Barclays 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.

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

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

The CFTC expressly noted Barclays significant cooperation during the investigation.

In a Final Notice ("Notice") dated June 27, 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. BBPLC will pay the financial penalty no later than July 11, 2012.

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 June 26, 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 \$160,000,000 to the United States Treasury by July 6, 2012.

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 December 22, 2011, Barclays Capital Inc. (BCI), without admitting or denying FINRA's allegations and findings, has voluntarily agreed to censure, and to pay a fine of \$3,000,000 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 January 14, 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 January 1, 2000 and July 31, 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 August 18, 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 has agreed to pay 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 June 6, 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**

### **Other Business Activities**

BCI's principal business is that of a registered securities broker-dealer and provider of investment banking services. BCI's principal activities include securities and commodities trading as principal and agent, securities underwriting, investment banking and financial services and investment management and wealth services. Its current client base is primarily large corporate, government and institutional clients. BCI is a registered securities broker-dealer, commodity pool operator, commodity trading adviser and futures commission merchant. In addition, certain of BCI's management persons may be registered representatives or associated persons of BCI to the extent necessary or appropriate to perform their responsibilities.

Barclays generally executes client trades through BCI. BCI may receive compensation including, but not limited to, commissions when it executes transactions for advisory clients. Additional information about Barclays brokerage practices is available in the section of this Brochure entitled "Brokerage Practices."

#### Other Financial Industry Activities or Affiliations

BCI is headquartered in New York with 12 registered domestic branch offices. As the Barclays Bank PLC "4(K)(4E)" securities subsidiary under the Bank Holding Company Act, BCI is permitted to engage in securities underwriting, dealing and market-making activities. BCI's activities include transactions in equity and debt securities, asset-backed securities, agency mortgage-backed securities, international debt securities, and other corporate related securities and securities lending. BCI is also a primary dealer in U.S. government securities. BCI is under the control of Barclays Bank PLC, which is a bank and both a non-U.S. broker-dealer and non-U.S. investment adviser with a licence to provide, in various jurisdictions, investment and banking products.

Barclays serves as investment adviser for the Barclays Wealth Advisor Series ("BWAS") Funds. BCI and its affiliates may also serve as sponsor or placement agent for certain private investment funds and feeder funds offered to Barclays clients.

Barclays may recommend that clients invest in certificates of deposit ("CDs") that are issued by Barclays Bank PLC, NY Branch ("BBNY"), an affiliate of Barclays. BBNY may economically benefit from the sales of CDs to Barclays clients. As a result, BCI and its affiliates may benefit from increased sales of CDs issued by BBNY.

Barclays may offer clients cash sweep options called the Insured Network Deposits<sup>SM</sup> ("IND") and Insured Network Deposits Business<sup>SM</sup> ("INDB") under which available cash in a client's account may be deposited into interest-bearing deposit accounts at up to 20 banks. The first bank will receive up to the \$250,000 of the available cash in a client's account or \$500,000 for joint accounts. Once this total has been reached, the next \$250,000 (or \$500,000 for joint accounts) will be deposited in the next bank that is participating in this program. This process will continue until all of the available cash has been deposited or, if the client has more than \$5,000,000 (\$10,000,000 per joint account) ("Excess Cash"), the Excess Cash will be placed in one bank. Clients may specify certain banks as ineligible to hold their available cash. Unless the client specifies otherwise, Barclays Bank Delaware (Member FDIC) will be the bank that receives the first \$250,000 of the client's available cash and will hold any Excess Funds. Because Barclays Bank Delaware is affiliated with BCI, Barclays and its affiliates may benefit more from having the client's available funds deposited at Barclays Bank Delaware than at an unaffiliated bank.

Certain management persons of Barclays are also directors, trustees and/or officers of the entities described above. In carrying out their responsibilities, these management persons may have some responsibility for the business of these affiliates and the compensation of these management persons may be based, in part, on the profitability of other parts of BCI.

Barclays has established a variety of restrictions, policies, procedures, and disclosures designed to address potential conflicts that may arise between Barclays, its management persons and its affiliates. Additional information about these conflicts and the policies and procedures to address them is provided below in the subsections entitled, "Code of Ethics", "Participation or Interest in Client Transactions" and "Participation or Interest in Personal Trading".

#### Receipt of Compensation from Investment Advisers

Barclays does not recommend or select other investment advisers for its clients in connection with the Program.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### Code of Ethics

The Barclays Code of Ethics (the “Barclays Code”) acknowledges Barclays responsibilities as a fiduciary and states Barclays firm commitment to high ethical standards and adherence to not only the letter but also the spirit of all applicable laws and regulations. The Barclays Code addresses general standards of business conduct related to the provision of advisory services, compliance with applicable federal securities laws and regulations, procedures for reporting violations, safeguarding client information, and personal conflicts of interest. Barclays has also adopted a Personal Account Dealing Policy, which requires certain supervised persons (“access persons”) to report personal securities transactions as described below and imposes other restrictions on an access person’s personal trading activity. Each supervised person receives a copy of the Barclays Code and Personal Account Dealing Policy upon hiring and annually thereafter. In addition, each supervised person is required to initially and annually certify that he or she has read, understood and complied with the Barclays Code and acknowledge receipt of any amendments to the Barclays Code.

The Barclays Personal Account Dealing Policy allows access persons to maintain personal securities accounts provided any personal investing by an access person in any accounts in which he or she has a beneficial interest, including any accounts for any immediate family or household members, is consistent with Barclays fiduciary duty to its clients and consistent with regulatory requirements. The Barclays Personal Account Dealing Policy also requires pre-approval for transactions involving “covered securities” and restricts trading by access persons of securities on the BCI Watch List and Restricted List.

Barclays clients may request a copy of the Barclays Code by contacting the client service division at Barclays at 800.253.4626.

#### Participation or Interest in Client Transactions

Barclays and its affiliates are engaged in providing a wide variety of financial services and, as a result, may serve in various capacities in connection with the separate accounts and investment products and the managers and sponsors of those separate accounts and investment products. Barclays and its affiliates provide investment banking services, advisory services, prime brokerage services, brokerage services, placement agent, referral or other services for some or all of the separate accounts and investment products in which Barclays recommends allocations and/or invests client assets. In addition, Barclays and its affiliates may receive advisory and other fees and expenses, distribution, administrative and shareholder servicing, prime brokerage, placement agent, interest and other fees or compensation from the separate accounts and investment products and the managers and sponsors of those separate accounts and investment products with which clients invest some or all of their assets. The fees and profits earned by Barclays and its affiliates on transactions for or with client accounts are in addition to the investment advisory and other fees clients pay Barclays. Barclays and its affiliates will not be required to share such compensation with client or to offset such compensation against fees and expenses clients may otherwise owe Barclays or its affiliates.

As a consequence of BCI’s other activities, Barclays is likely to buy or sell for its clients securities or investment products in which BCI has a direct or indirect financial interest. Such financial interest could include, but is not limited to, BCI’s role as a market-maker in the security, manager or co-manager or other participant in the underwriting of initial and secondary public offerings of securities, or financial advisory services provided to a securities issuer, such as merger and acquisition strategy or corporate finance. In such instances, the purchase or sale of a security as directed by Barclays on behalf of its clients may have an impact on the price of such security, which may indirectly benefit (or act to the detriment of) BCI. As such, Barclays may be deemed to have a conflict of interest. In addition, BCI and its affiliates may buy and sell securities that are bought and sold in the accounts of Barclays clients.

Additionally, to the extent otherwise permitted by law, Barclays may receive remuneration, compensation, or other consideration for directing client orders to particular broker-dealers or market centers for execution.

When appropriate and permitted by law, Barclays may utilize investment products or services, including sweep vehicles (collectively "Cash Investments"), from which Barclays derives compensation and which Barclays has an incentive to use instead of other similar investments which could be more or less beneficial to a client. Barclays acts in various capacities with respect to such products and services and receives fees for doing so. The use of Cash Investments for managed accounts, either in "sweep" arrangements, for temporary investment purposes or otherwise, will result in Barclays earning advisory, distribution or other fees in addition to the fees described herein. Barclays may also receive a benefit from its possession and temporary investment of cash balances in managed accounts prior to investment, in a sweep arrangement or otherwise.

### Best Execution

Under the terms of its investment advisory agreements for the Program, Barclays has the discretion to select broker-dealers to execute trades for Program accounts, subject to its duty of best execution. As a general matter, BCI will be selected to act as executing broker-dealer because the inclusive fee paid by each client includes commissions charged by BCI and its affiliates for executing trades in Program accounts. However, other broker-dealers may be used from time to time when deemed appropriate or when BCI and its affiliates are otherwise restricted from trading. In selecting other broker-dealers, Barclays will take into account the net price (after giving effect to brokerage commissions and other costs) as well as other factors, such as capital position of the broker-dealers, ability to consummate and clear trades in an orderly and satisfactory manner, consistent quality of service, risks taken in positioning a block of securities and broad market coverage.

Client trades executed through BCI are subject to BCI's best execution policy, which requires BCI to use "reasonable diligence" to learn the best market for a security that is the subject of a customer order, and to buy or sell in that market to obtain for the customer the best price possible under prevailing market conditions. Although price is generally the most important determinant in any transaction, many other factors may be considered before a trade is executed, including general market conditions; character of the market for the particular security (e.g., price, volatility, relative liquidity, and pressure on available communications); size and type of the transaction; and time limitations (market vs. limit order). BCI will use reasonably available sources of relevant information regarding the current market value of the security, which could include inter-dealer broker screens; recent transactions in the same or a comparable security and quotes from other dealers.

BCI will provide execution services relative to the purchase and/or sale of securities for Program client accounts where the client has so agreed and will be entitled to receive compensation for such services. Any such transactions are executed in compliance with Section 11(a) of the Securities Exchange Act of 1934 and Rule 11a2-2(T), to the extent applicable.

### Principal Transactions

In the case of certain advisory accounts, BCI or an affiliate of BCI may, for its own account, buy securities from or sell securities to an advisory client (a "principal transaction"), when permitted by law. In these instances, BCI, in accordance with Section 206(3) of the Advisers Act, will disclose to the advisory client in writing before the completion of the transaction the capacity in which Barclays is acting and obtain specific consent from the advisory client for such transaction prior to settlement.

### Agency Cross Transactions

With respect to certain portfolio transactions conducted on behalf of advisory client accounts, when appropriate and permitted by law, BCI or an affiliate of BCI may act as broker for the party or parties on both sides of the transaction (an "agency cross transaction"). BCI or its affiliate will receive a brokerage commission from the other party with respect to the transaction, and as such BCI will have a potentially conflicting division of loyalties and responsibilities. Barclays will obtain written consent from its advisory clients prospectively for any agency cross transactions and such transactions will be conducted in 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

With respect to certain portfolio transactions conducted on behalf of advisory client accounts, when appropriate and permitted by law, Barclays may cause client accounts to engage in a cross transaction between two or more of its client accounts 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. Barclays will only execute cross trades to the extent consistent with best execution and so long as no client is disfavored by the cross trade.

### Participation or Interest in Personal Trading

Barclays and its affiliates may give advice and take action in the performance of their duties for any of their other clients or accounts, including their own accounts, that may differ from the timing or nature of the action with respect to clients' accounts. Barclays and its affiliates may receive more or less compensation for services provided to other clients or accounts, including their own accounts, as compared to the compensation they receive from the client accounts. Barclays is not under any obligation to recommend that an advisory client purchase or sell any security or other instrument that Barclays or its affiliates may purchase or sell for their own accounts or recommend for the purchase or sale for the account of another client, if in the discretion of Barclays, such action is not practical or desirable for the client.

Barclays access persons are prohibited from engaging in transactions that are inconsistent with the duties owed to their clients. Before any access person engages in a transaction for their personal account, they must obtain pre-approval from Barclays compliance team. The Personal Account Dealing Policy prohibits access persons from engaging in any transaction if the access person knows, or might reasonably be expected to have known, that an advisory client is dealing in the same security or underlying instrument or the transaction involves a security or underlying instrument that is the subject of orders that are being solicited, research being written or oral communications.

### Managing Conflicts Associated with Participation or Interest in Client Transactions

Barclays participates in a comprehensive compliance program and has adopted policies and procedures that impose certain conditions and restrictions as to transactions for proprietary accounts or the accounts of employees. Barclays instills in its employees assigned to its advisory business an awareness of the fiduciary principles that govern its business and a sensitivity to conflicts of interest that may arise as a result of its business. Barclays also has implemented information barriers between itself, BCI and BCFS – Americas, and between itself and other divisions within 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 a customer or client.

## **Review of Accounts**

### General Description

Tactical Asset Allocation changes will be implemented within the Portfolios on at least a quarterly basis. In addition, the Portfolio Management Team's decisions and transactions are reviewed by the BWGIAC and the Committee on an on-going basis.

The Branch Administrative Manager, or his or her delegates, periodically reviews client accounts in order to assess whether the Portfolio continues to be appropriate to meet client investment objectives.

Barclays may conduct a review of a client account if a client contacts Barclays to request changes to their investment objectives or in response to significant changes to the portfolio or the account that Barclays deems sufficient to warrant such a review. Barclays may also review the performance and trading activity of particular client accounts as part of a broader review of an investment strategy.

### Client Reports

Clients are kept informed of account activity through written confirmations of all portfolio trades should the clients elect to receive them, and a monthly statement sent for each month in which there is portfolio activity. A monthly account statement and quarterly performance reports will also be sent to a client. A client may not receive the first quarterly performance report until the end of the first full calendar quarter following the client's initial investment. Clients should carefully review the materials and reports and report any discrepancies to the Investment Representative servicing their Account immediately.

### **Client Referrals and Other Compensation**

Barclays on occasion may refer a client to a third party and receive in return some economic benefit from the third party. Such referral fee arrangements will be structured in accordance with applicable law. If a client is referred to a third party, the client must sign documentation acknowledging such referral fees.

As described above, a portion of the fees and charges imposed by Barclays is paid to Barclays Investment Representatives and may be paid to employees of BCI affiliates in the event that such persons introduce Program accounts or provide services to the accounts.

In addition, Barclays may enter into third party solicitation agreements for certain advisory products for marketing purposes. Under such agreements, the third party may refer or solicit clients to Barclays, as appropriate, and receive compensation for such services. As a result of these arrangements, fees paid by certain Barclays clients may differ from (and be higher or lower than) the standard rate. All compensation paid to the third party soliciting or referring the client and the structure of the agreement will be disclosed to the client as required by applicable law.

### **Financial Information**

Not applicable.