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## **Barclays Wealth and Investment Management Barclays Wealth Select Advisors 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).

**July 2, 2012**

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## MATERIAL CHANGES

This section describes the material changes to our Form ADV Part 2A Appendix 1 wrap fee brochure since the last annual amendment on March 30, 2012.

### **Portfolio Management Program**

The Portfolio Management program is a new wrap-fee program offered by BCI. A brief description of the program is contained on page 2.

### **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”), 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 Wealth Select Advisors Program (the “Program”), which offers a comprehensive fee-based investment advisory service designed to assist clients in identifying an investment manager or a group of investment managers best suited to the client’s goals. The participating investment managers are collectively referred to as the “Investment Manager(s)” and the investment strategies managed by such Investment Managers are the “Investment Strategy(ies).”

### Services Provided

Barclays searches a broad universe of Investment Managers to identify those who might be appropriate for the program. Investment Managers selected for the Program may be sourced directly by Barclays or by Envestnet Asset Management (“Envestnet”). Barclays selects and evaluates Investment Managers and their performance as well as provides ongoing monitoring of Investment Managers and their respective Investment Strategies. Please refer to the section entitled *Investment Manager Selection and Evaluation* for a more detailed discussion of these services.

#### *Envestnet*

Certain Investment Managers in the Program are accessed by Barclays clients through Envestnet. Barclays has entered into an agreement with Envestnet, whereby Envestnet will enable Barclays to access investment advisers with which Envestnet has entered into a sub-management agreement (“Sub-Managers”) to act as Investment Managers under the Program. For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager, whereby Envestnet performs administrative and/or trading implementation duties pursuant to the direction of the Sub-Manager. In such situation the Sub-Manager is acting in the role of an investment strategy model provider and such Sub-Manager does not have discretion over client assets. Envestnet will be responsible for implementing the model portfolios provided by each such Sub-Manager, subject to any reasonable constraints and restrictions the client wishes to place on the account(s).

#### *Execution Services*

Each Investment Manager has the discretion to select broker-dealers to execute trades for Program accounts it manages, subject to the Investment Manager’s duty of best execution. As a general matter, BCI will be selected by the Investment Managers 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, under the Program, Investment Managers have the discretion to select other broker-dealers from time to time when deemed appropriate taking into account the net price (after giving effect to brokerage commissions and other costs) as well as other factors such as the nature of the security being traded; the size and complexity of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular securities; and the execution, clearance and settlement capabilities and such other factors that the Investment Manager deems appropriate. When executing trades for Program accounts, Barclays and its affiliates are acting exclusively as broker-dealer in connection with such trades.

#### *Custody and Administrative Services*

BCI, in its capacity as a registered broker-dealer, will provide custody and other administrative services associated with the Program. However, Barclays may, on an exception basis, accept accounts for clients who custody their assets with qualified custodians that are not affiliated with BCI, provided, that such custodians are operationally capable of providing certain reporting required by Barclays. Clients that choose to custody assets away from Barclays will incur additional custody costs that they likely would not need to pay if they held their assets at Barclays. In addition, Barclays is not able to monitor concentration limits for assets that are not held with BCI.

All securities will be held for client accounts in the name of BCI for the benefit of its clients who custody funds and securities with BCI. BCI will maintain records, on a client-by-client basis, reflecting securities beneficially owned by Program clients. In its capacity as custodian, BCI or its affiliates will deduct from each client account the appropriate Program Fee and other charges described in Brochure. Unless instructed otherwise, each Investment Manager will be responsible for voting proxies for securities held in the Program accounts, and BCI will promptly forward to the relevant Investment Manager copies of all related proxies and shareholder communications.

Notwithstanding a client's selection regarding proxies, legal notices related to investments in a client's account 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.

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.

#### *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 initially, and will continue to rely on this information during the time a client remains invested in the Program. Therefore, it is important that the information a client provides to Barclays in the Suitability Questionnaire is accurate and complete. Any changes in such information should be provided to the Investment Representative on a timely basis.

#### *Other Wrap Programs*

In addition to the Program, Barclays sponsors other wrap programs, including those described below. For more information about these wrap programs and a copy of the relevant program brochure, please contact your Investment Representative.

**Accommodation Manager Program.** Certain clients with a clear understanding of their investment objectives and the other considerations noted above may request the use of specific investment managers and/or investment strategies that are not otherwise available on the Barclays platform, subject to Barclays' consent. Under this program, the client is solely responsible for the selection, retention and termination of the investment managers.

**IAR Program.** Certain individuals within Barclays' advisory business who have demonstrated relevant expertise and have prior experience in the industry, may serve as investment advisory representatives and offer discretionary and non-discretionary advisory services to Barclays clients for a fee.

**BETA Program.** The Barclays ETF Tactical Allocation ("BETA") program is a comprehensive 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.

**Portfolio Management Program.** The Portfolio Management program is a comprehensive fee-based investment advisory service designed to offer clients the opportunity to select one or more investment strategies managed by portfolio managers who are employees of Barclays. The investment strategies

are designed to meet a range of client investment needs based on clients' investment objectives and goals.

## Fees

### *Fee Schedules*

A client will pay a single inclusive fee (the "Fee") for the services offered by the Program described in this Brochure. The Fee covers all investment advisory services provided by Barclays and Investment Managers under the Program and custodial, administrative and execution services performed by BCI unless the Program account is opened in conjunction with the client entering into a Guided Portfolio Agreement ("GPA") or a Discretionary Portfolio Agreement ("DPA") with Barclays, in which case Barclays' advisory fees would be charged under the GPA or the DPA and the client's Program Fee would be reduced accordingly. The Fee, which is expressed as a percentage of total assets under management, will vary for each account depending on, among other things, the amount of assets in the account, the investment strategy employed for the account and the particular Investment Manager. The Fee is payable quarterly in arrears. The following table describes the standard fee schedules that are currently in effect.

#### Equity Strategies

<b>Assets Under Management</b>	<b>Equity Strategies</b>	<b>Enhanced Index Strategies</b>
\$0-2,499,999	1.75%	1.00%
\$2.5M-4,999,999	1.50%	0.90%
\$5M-19,999,999	1.25%	0.80%
\$20M and above	1.00%	0.70%

<b>Assets Under Management</b>	<b>Specialty Equity</b>
All Assets	1.75%

#### Fixed Income Strategies

<b>Assets Under Management</b>	<b>Core Fixed Income Strategies</b>
\$0-1,999,999	0.75%
\$2M-4,999,999	0.65%
\$5M-9,999,999	0.55%
\$10M-29,999,999	0.45%
\$30M and above	0.40%

<b>Assets Under Management</b>	<b>Specialty Fixed Income Strategies</b>
\$0-1,999,999	0.90%
\$2M-4,999,999	0.75%
\$5M-9,999,999	0.60%
\$10M-19,999,999	0.50%
\$20M and above	0.45%

<b>Assets Under Management</b>	<b>High Yield Muni Strategies</b>
All Assets	1.25%

Barclays may add additional fee schedules or modify the existing fee schedules as new Investment Managers are added to the Program. Clients should refer to the Fee Schedule to their program agreement that governs the client's participation in the Program ("Program Agreement") for the specific Fee they are charged as well as information about how the fee schedules set forth above correspond to the strategy classifications applicable to their Accounts. Barclays or Envestnet pays a portion of the Fee to the Investment Managers pursuant to investment management agreements Barclays or Envestnet has negotiated with each manager. The range of fees paid to Investment Managers for equity accounts is generally 0.45% to 1.00% of assets under management. For fixed income accounts, the range is generally 0.20% to 0.85% of assets under management.

The Fee may be negotiable based upon a number of factors including, but not limited to, the range of services provided, the type and size of the account, and the level of client assets committed to the Program. In addition, client assets may be aggregated for purposes of applying the Fee in accordance with the terms of the Fee Schedule to the Program Agreement. In some instances, clients may pay a higher Fee than that indicated in the fee schedules above, but in no event will the client pay an annual Fee of greater than 2.00% of total assets invested in the Program.

There are 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.

### **Cost for Clients**

Participation in the Program and the payment of the inclusive 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.

### **Other Fees and Expenses**

The Fee does not cover execution charges, including commissions, commission equivalents, mark ups, mark downs and spreads on transactions an Investment Manager places with broker-dealers other than Barclays or its affiliates in an effort to obtain best execution. The Fee also does not cover specialized charges relating to Program Accounts or portfolio transactions. These additional fees and charges may include any other execution or service charges, dealer mark-ups and markdowns, auction fees, odd-lot differentials, exchange fees, SEC transaction fees, transfer taxes, electronic fund transfer fees, ADR fees, trust custodial fees, fees in connection with trust accounting or the establishment, administration or termination of retirement or profit sharing plans, interest charges and fees on margin and other loans and any charges mandated by law or imposed by exchanges or clearing houses.

Where legally permissible, fixed income and certain other securities generally are traded on a principal basis, and trades involving such securities may be executed by BCI or other dealers. Dealers executing principal trades typically include a "mark-up" or "spread" in the net price at which the transaction is executed. The Fee includes the mark-up, but not the spread, on principal transactions executed through BCI or its affiliates. Investment Managers for fixed income strategies may execute a substantial portion of their trades through unaffiliated broker-dealers. As a result, clients will bear the cost of the spreads, mark-ups or similar compensation paid to such unaffiliated dealers in addition to the Fee. For these fixed income strategies, use of an "all in" Fee will not provide as many benefits as it does for clients whose Investment Managers execute exclusively through Barclays and, thus, do not pay transaction-based charges over and above the Fee. Interest is charged to a client's account if that account has a debit balance caused by client activity.

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

A portion of the fees and charges imposed by the Program will be paid to Investment Representatives and may be paid to employees of BCI affiliates in the event that such persons introduce Program accounts or provide services to Program accounts. Such payments may be made for the duration of Program client accounts or for certain arrangements, for a shorter period of time. The amount of the fees received by Barclays Investment Representatives and/or employees of BCI's affiliates may be greater if the client participates in Program than they would be if the client paid separately for investment advice, brokerage and other services. Therefore, Barclays Investment Representatives and/or employees of BCI affiliates may have a financial incentive to recommend the Program over another alternative. In addition, Investment Representatives may have a financial incentive to recommend the allocation of client assets among equity strategies because the compensation paid to Investment Representatives may be higher for equity than for fixed income strategies.

## ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

### Account Requirements

The standard minimum account size ranges between \$100,000 and \$1,000,000 for equity strategies and between \$500,000 and \$5,000,000 for fixed income strategies, depending on the Investment Manager and strategy classification. Barclays reserves the right to make exceptions to the minimum account size requirement on a case-by-case basis.

### Types of Clients

The Program is made available to all Barclays clients, including individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities, subject to certain limitations for retirement accounts.

### Termination of Program Accounts

The Program 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 Program Agreement are described in the Program Agreement. In the event the Program Agreement is terminated as of the date other than at the end of the fee period, Barclays will be entitled to charge a proportionate part of the Fee(s) otherwise applicable to the then current quarter. Termination of the Program Agreement will not affect or preclude the consummation of any transaction initiated prior to termination.

Barclays reserves the right to terminate, at any time without prior notice, any Investment Manager or Investment Strategy and prohibit such Investment Manager from further participating in the Program. Barclays may terminate all Program accounts managed by an Investment Manager or in an Investment Strategy after it no longer recommends such Investment Manager or such Investment Strategy or otherwise terminates such Investment Manager or Investment Strategy from the Program. The Investment Managers generally may discontinue management of a client account on notice to Barclays of thirty days or more.

## PORTFOLIO MANAGER SELECTION AND EVALUATION

### Investment Manager Selection

The process for a Program client begins with Barclays identifying the client's investment objectives and obtaining other information about the client including the information recorded in the Suitability Questionnaire which is a schedule to the Program Agreement. Barclays then assists the client in selecting the investment manager(s) and investment strategy(ies) that are deemed by Barclays to be appropriate for the client, subject to any reasonable constraints and restrictions the client wishes to place on the account(s). While Barclays may guide a client regarding the portion of such client's assets to be managed



under the Program, the client assumes responsibility for ensuring the client's assets, viewed in their entirety, are sufficiently diversified. The client also assumes responsibility for ensuring that the allocation of the client's assets among the different investment manager(s) and investment strategy(ies) the client selects is appropriate in light of the client's investment objectives and the other information contained in the Suitability Questionnaire.

### **Evaluation of Investment Managers**

The investment managers participating in the Program generally are not affiliated with Barclays. However, the Program does offer access to BlackRock Investment Management, LLC ("BlackRock"), which is affiliated with Barclays by virtue of an equity ownership interest in BlackRock, Inc. Prior to being selected as an Investment Manager for the Program, all investment managers identified by Barclays as being potential candidates for the Program are first subjected to a due diligence process. Barclays uses a broad range of proprietary and non-proprietary analyses and data, as well as information provided by third parties, to identify and perform initial due diligence on Investment Managers and their respective Investment Strategies to determine if they meet certain minimum standards for participation in the Program. This includes evaluating various qualitative and quantitative factors deemed relevant such as the investment strategy or investment objective, organizational structure and ownership, assets under management, years in the business, business growth and historical performance relative to applicable benchmarks and peer groups. Additional qualitative factors may include, among other things, a review of employee backgrounds and compensation, compliance and trading capabilities, the investment decision-making process (such as attribution of holdings, portfolio construction, sell discipline, tax-efficiency and turnover), continuity of senior professionals, capacity for additional assets under management, and technology and operations capabilities. No single factor is determinative and particular factors considered may vary among Investment Managers.

### **Ongoing Monitoring**

Investment Managers and their respective investment strategies are thereafter reviewed on an ongoing basis based on various quantitative and qualitative factors, including performance, adherence to investment strategies and investment objectives, and material business changes, to determine whether they continue to remain suitable to be recommended to Barclays clients.

Barclays may classify an Investment Manager a "SELL" for a variety of reasons, including a departure from its investment discipline or stated investment guidelines, prolonged periods of lagging performance, or operational infrastructure that is insufficient to support Barclays' clients. Barclays may also terminate an Investment Manager or an Investment Strategy from the Program at any time as discussed below.

### **Evaluating Investment Manager Performance**

Although performance information relating to Investment Managers is reviewed monthly by supervisory personnel, Barclays does not audit the information for accuracy or verify the appropriateness of the methodology on which the performance is calculated or presented. The methods for calculating performance and constructing composites may differ among Investment Managers and performance information provided by the Investment Managers may not be calculated on a uniform or consistent basis. Accordingly, there may be limits to the value of comparing performance of more than one Investment Manager employing similar investment styles. Past performance is not indicative of future results.

### **Removing and Replacing Investment Managers**

When an Investment Manager or an Investment Strategy selected by client is deemed no longer suitable to be recommended and is classified a "SELL", Barclays will notify client in writing and recommend a suitable replacement Investment Manager or Investment Strategy or other replacement investment, if available. Any such replacement Investment Manager or Investment Strategy may result in the client paying a higher fee. If a client wishes to continue to retain an Investment Manager or an Investment Strategy that Barclays no longer recommends, it may be required to make other arrangements regarding

the portion of client assets invested with such Investment Manager or in such Investment Strategy. If requested and authorized by the client in the Program Agreement, the client may grant Barclays discretionary authority to replace the Investment Managers and/or the Investment Strategies with which the client is invested without the client's prior consent if the Investment Manager or Investment Strategy is deemed no longer suitable to be recommended and is classified a "SELL" or Barclays otherwise determines that such changes are in client's best interest, provided that (A) such changes shall not affect in any way the Program fee payable by the client, and (B) the replacement Investment Manager and/or Investment Strategy shall be within the same Strategy Classification (as defined in the Fee Schedule to the Program Agreement). The client will be informed of any changes made by Barclays in writing promptly following the effective date of the change.

Barclays reserves the right to terminate, at any time without prior notice, any Investment Manager or Investment Strategy and prohibit such Investment Manager from further participating in the Program. Barclays may terminate all Program accounts managed by an Investment Manager or in an Investment Strategy after it no longer recommends such Investment Manager or such Investment Strategy or otherwise terminates such Investment Manager or Investment Strategy from the Program. The Investment Managers generally may discontinue management of a client account on notice to Barclays of thirty days or more.

### **Related Person Investment Managers**

BlackRock, which is affiliated with Barclays by virtue of an equity ownership interest in BlackRock, Inc., or another affiliate of Barclays may be among the potential Investment Managers chosen to participate in the Program and may be recommended to clients by Barclays. Accordingly, when assisting clients in choosing from participating Investment Managers, Barclays may have a financial interest in recommending BlackRock or another affiliated investment adviser to serve as Investment Manager. Barclays addresses this potential conflict by disclosing the affiliation so clients may weigh the potential conflict of interest when making a decision to select a particular Investment Manager. Nonetheless, BlackRock is subject to the same selection and review as the other investment managers that participate in the Program.

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

Each client is asked to complete a Suitability Questionnaire and a Stock Restriction Request Form prior to opening an account. The Suitability Questionnaire and the Stock Restriction Request Form are furnished by Barclays to the Investment Manager that was selected by the client.

Clients are required to inform Barclays in a timely manner of any changes in their investment objectives or financial circumstances that might affect the manner in which their assets should be invested in the Program. This information is communicated, as needed, by Barclays to the respective Investment Manager(s) in a timely manner. Clients are encouraged to contact their Barclays Investment Representative if they have any questions regarding their Program account.

## **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Barclays will make available on request appropriate investment personnel, including potential representatives of an Investment Manager, 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 an Investment Manager.

## **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’ 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 also registered as a 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 may recommend that clients invest in certain separate accounts and investment products managed or sponsored by BlackRock Investment Management, LLC ("BlackRock"), which is affiliated with Barclays by virtue of an equity ownership interest in BlackRock, Inc. As a result, BCI and its affiliates may



benefit when client assets are invested in investment products managed by BlackRock to a greater extent than from advisory services and investment products managed or sponsored by other firms in which BCI and its affiliates do not have a similar economic interest.

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*

Certain other potential conflicts may arise, including the fact that Investment Managers may engage in other business activities with BCI and its affiliates. For example, BCI and its affiliates may provide administrative services, investment banking services, advisory services, prime brokerage services, brokerage services, placement agent, referral or other services for some or all of the Investment Managers. These other business activities, along with the fact that Barclays is responsible for recommending particular Investment Managers to Program clients, may influence Barclays' recommendation or selection of particular Investment Managers.

Barclays addresses these conflicts through disclosure in this Brochure. In addition, Barclays Investment Representatives are required to recommend advisory services and investment products that are suitable based on each client's investment objectives, risk tolerance and financial situation.

### [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 that Barclays makes available to clients. 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 may be 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. If the client purchases a 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 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.

Barclays and its affiliates will on an overall basis receive higher fees, compensation and other benefits if client assets are allocated to affiliated investment products, including separate accounts and investment products managed or sponsored by BlackRock. As discussed above, Barclays and its Investment Representatives, therefore, have a financial incentive to recommend or select affiliated investment products.

#### Best Execution

As discussed above, it is expected that BCI generally will be selected by the Investment Managers 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. 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.

### *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*

The Branch Administrative Manager, or his or her delegates, periodically reviews client accounts in order to assess whether Investment Managers and Investment Strategies continue 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. In addition, a printed quarterly performance report is sent to each client that: (i) identifies the amount allocated to each Investment Manager, (ii) provides a summary analysis of each Investment Manager's portfolio performance, and (iii) may provide appropriate benchmark indices that correspond with the specific investment strategy of each Investment Manager. Benchmark indices in the quarterly performance reports may include, but are not limited to, the S&P 500 Index, the Russell 2000 Index, the MSCI World Index, and various Barclays Capital Fixed Income Indices. Benchmark indices are subject to change from time to time. Performance results are shown for the current quarter, calendar or fiscal year and since inception of the client's Program account.

### **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.