

LARGE TRADER REPORTING (RULE 13H1) FAQ

13 H1 extends the scope of EBS obligations beyond clearing brokers to all broker-dealers exercising investment discretion on behalf of large traders.

KEY DATES

- > **August 3, 2011:** Large Trader Reporting approved filing published in the Federal Register.
- > **October 3, 2011:** Effective Date of Rule.
 - **Action:** Buy- and sell-side firms should begin, if they have not already done so, the process of obtaining a Large Trader ID via Form 13 H on EDGAR (see additional detail below).
- > **December 1, 2011:** Compliance Date for the requirement on large traders to identify to the Commission.
 - **Action:** All large traders should have transmission of 13H completed with the Commission.
- > **April 30, 2012:** Compliance Date for broker-dealers to maintain records, report, and monitor large trader activity.
 - **Action:** Broker-dealers must have process in place to capture, maintain and extract large trader transaction information and provide to the Commission immediately upon request.

WHAT IS THE RULE'S PURPOSE?

- > The rule will assist regulators in both identifying and obtaining detailed trading information on each unique market participant that conducts a substantial amount of trading activity, as measured by volume or market value, in the U.S. securities markets.

WHO DOES IT COVER?

- > The rule defines large trader as any person (regardless of entity) or entity whose transactions in NMS securities equal or exceed:
 - 2 million shares or \$20 million during any calendar day
 - 20 million shares or \$200 million during any calendar month

WHAT CHANGES FOR BUY-SIDE TRADERS?

- > All buy-side traders that qualify as large traders MUST register with the SEC to obtain a large trader ID.

WHAT CHANGES FOR BROKER-DEALERS?

- > Whereas the SEC previously allowed most broker-dealers touching, but not executing, a given transaction to pass through EBS information directly to the clearing broker for submission, under 13H1, all broker-dealers must be ready and able to capture, maintain and extract information as necessary to submit EBS forms directly to the SEC. **This extends the scope of EBS obligations beyond clearing brokers to all broker-dealers exercising investment discretion on behalf of large traders.**
- > Beyond the addition of two new fields (large trader ID and time of execution) to the current EBS form, rule 13H1 changes the response timeframe in which broker-dealers must comply and respond to the Commission's request for information. Under 13H1, broker-dealers

must respond immediately following an inquiry, which in most cases is defined as end of day or next day, instead of days following the request.

WHAT IS REQUIRED?

> Registration by all large traders regardless of entity:

- Qualifying traders must identify themselves to the Commission and make certain disclosures by completing Form 13H and filing it via the SEC EDGAR System. EDGAR (Electronic Data Gathering, Analysis and Retrieval System) can be accessed via the SEC website at: <http://www.sec.gov/edgar.shtml>
- Quick EDGAR Tutorial: <http://www.sec.gov/edgar/quickedgar.htm>
- You must have a Central Index Key (CIK) to file 13H.
 - What is a CIK?
The CIK is a unique identifier used by the SEC's computer systems to identify corporations and individual people who have filed disclosure with the SEC.
 - What if my firm does not have a CIK or I don't know if we have a CIK?
If you're not sure, you can look up your firm using the SEC's CIK lookup: <http://www.sec.gov/edgar/searchedgar/cik.htm>
If your firm does not have a CIK, you can apply using EDGAR Filer Management: <https://www.filermanagement.edgarfiling.sec.gov/>



- > After Submission: Upon receipt of Form 13H, the Commission will assign each large trader a unique ID number that the large trader must then provide to its registered broker-dealers.
- > Registered broker-dealers will then be required to maintain additional records for large traders including both the large trader ID number, and the time at which transactions in the account (relating to large trades) are executed.
- > Additionally, broker-dealers will be required to report large trader transaction information on request to the Commission through the existing Electronic Blue Sheets system (EBS).
- > Registered broker-dealers subject to Rule 13H1 will be required to perform limited monitoring of **all** of their customers' accounts for activity that may qualify them as large traders. These broker-dealers are further required to implement policies and procedures reasonably designed to inform persons of their obligations to file Form 13H and disclose their large trader status.

More Information

Edgar Filing Website for Form 13H: <https://www.edgarfiling.sec.gov/>

Edgar Filer Management to Apply for CIK Number: <https://www.filermanagement.edgarfiling.sec.gov/>

SEC CIK Lookup: <http://www.sec.gov/edgar/searchedgar/cik.htm>

Join Large Trader Reporting Discussion on [LinkedIn](http://www.linkedin.com): <http://tinyurl.com/3fm8duk>

For more information, please visit www.ften.com or email us at LTID@ften.com.