voice + electronic brokerage

# Regulatory Disclosures Statement – 2016

In accordance with various regulatory requirements, BGC Financial, L.P. ("BGC") is providing the following regulatory disclosures to its customers.

## New Account Opening – Verifying Your Identity

To assist the governments fight against the funding of terrorism and to prevent money laundering activities, federal laws and regulations require financial institutions to obtain and verify information that identifies each client who opens an account.

When opening an account, BGC is required to obtain your name, address, tax information and other information and documentation that will be utilized to verify your identification. For accounts other than natural persons (e.g.: a corporation, partnership or trust) BGC will request identifying documents evidencing the existence of the entity, such as articles of incorporation, a government-issued business license, a partnership agreement or a trust agreement. BGC may also request to see a valid government issued form of identification evidencing nationality or residence and bearing a photograph such as a driver's license, passport or other identifying documents for the Control persons or beneficiaries of the account.

As required by federal law, if BGC is unable to verify your identity, BGC will not be able to open an account or establish a relationship with you. BGC reserves the right to request additional information or documentation at any time at its sole discretion. Material changes in account information should be forwarded in writing to BGC's Compliance Department at the following address:

**BGC Financial, L.P.**
**199 Water Street, 19th Floor**
**New York, NY 10038**
**Attention: Chief Compliance Officer**

## Order Execution Quality - SEC Rule 605

Pursuant to SEC Rule 605, BGC Financial L.P. (BGC) has published statistical information about the Order Execution Quality of market and limit orders in NMS securities. This information is available via the link below:

**http://vrs.vista-one-solutions.com/sec605rule.aspx**

Though BGC is not a market maker in any NMS securities, our Foreign Equity Market Making desk may, from time to time, execute transactions in NMS listed securities. Please be aware that these statistics are compiled and maintained by a third party vendor and, as such, may contain errors.

## Order Routing - SEC Rule 606

In accordance with SEC Rule 606, BGC is required to disclose on a quarterly basis the identity of the market centers to which BGC routed orders for certain equity securities and the nature of any relationships with those market centers. BGC's most recent quarterly SEC Rule 606 order routing information is available at **www.bgcpartners.com** and at **http://vrs.vista-one-solutions.com/reports/**. A written copy of where your individual orders were routed for execution is available by contacting BGC's Compliance Department at (212) 610-2281.

## Order Flow & Directing of Order

BGC does **not** receive payment or remuneration of any kind for directing order flow on any transaction.

## FINRA BrokerCheck

FINRA BrokerCheck is a free tool that assists investors by providing background and regulatory information on current and former FINRA member firms and registered representatives. This information can be obtained at **www.brokercheck.finra.org** and at the main website **www.finra.org** or by calling the FINRA BrokerCheck Hotline toll-free line at 1-800-289-9999. A copy of an investor brochure that includes information describing FINRA BrokerCheck can be obtained by calling the FINRA BrokerCheck Hotline number or accessing the FINRA website.

## Information on Securities Investor Protection Corp. ("SIPC")

Information on SIPC and the SIPC Brochure is available at either **www.sipc.org**, or by contacting SIPC at (202) 371-8300, or by sending an email request to **asksipc@sipc.org.**

## Voice Recording Disclosure

In accordance with applicable laws and regulations, BGC may record certain telephone conversations with outside parties. By communicating with BGC, you consent to the voice recording of conversations with personnel of BGC and its affiliates.

## Extended Hours Trading Risk Disclosure Statement

In accordance with FINRA Rule 2265, no member shall permit a customer to engage in extended hours trading in the premarket session or the post-market session without disclosing to customers the risks specific to extended hours trading. "Extended hours trading" means trading outside of "regular trading hours," which generally means the time between 9:30 a.m. and 4:00 p.m. Eastern Standard Time. Customers should consider the following points before engaging in extended hours trading.

• **Risk of Lower Liquidity**. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular trading hours. As a result, your order may only be partially executed, or not at all.

• **Risk of Higher Volatility**. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular trading hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.

• **Risk of Changing Prices**. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular trading hours, or upon the opening the next morning. As a result, you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.

• **Risk of Unlinked Markets**. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

• **Risk of News Announcements**. Normally, issuers make news announcements that may affect the price of their securities after regular trading hours. Similarly, important financial information is frequently announced outside of regular trading hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

• **Risk of Wider Spreads**. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

## FINRA Rule 5320 Disclosure

FINRA Rule 5320 generally provides that a member firm that accepts and holds an order in an equity security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

### Large Orders and Institutional Accounts

FINRA Rule 5320 continues to permit firms to negotiate terms and conditions on the acceptance of certain large-sized orders (***orders of 10,000 shares or more and greater than $100,000 in value***) and orders from institutional accounts that would permit firms to trade ahead of or along with such orders, provided that firms give clear and comprehensive written disclosure to such customer at account opening and annually thereafter that discloses that the firm may trade proprietarily at prices that would satisfy the customer order, and provides the customer with a meaningful opportunity to opt in to the Rule 5320 protections with respect to all or any portion of its order.

In lieu of providing the written disclosure to customers, FINRA Rule 5320 permits firms to provide clear and comprehensive oral disclosure to, and obtain oral consent from, a customer on an order-by-order basis, which the firm will document.

Institutional accounts and persons placing orders for 10,000 shares or more not otherwise subject to the protections afforded by Rule 5320 may "**opt in**" to the Rule 5320 protections by providing written notice with respect to **all** orders for your account, to your sales representative or to:

**BGC Financial, L.P.**
**199 Water Street, 19th Floor**
**New York, NY 10038**
**Attention: Chief Compliance Officer**

If a customer does **not** opt in to the Rule 5320 protections with respect to all or any portion of its order(s), the firm may reasonably conclude that the customer has consented to the firm trading a security on the same side of the market for its own account at a price that would satisfy the customer's order. Even when a customer has opted in to the FINRA Rule 5320 protections, a firm may still obtain consent on an order-by-order basis to trade ahead of or along with an order from that customer.

### No-Knowledge Exception

FINRA Rule 5320 provides an exception for a firm's proprietary trading in NMS stocks where the proprietary trading unit does ***not*** have knowledge of the customer order where the firm has implemented internal controls, such as appropriate information barriers that prevent one trading unit from obtaining knowledge of customer orders held by a separate trading unit. In such case, the other trading units trading in a proprietary capacity may continue to trade at prices that would satisfy the customer orders held by the separate trading unit.

### "Not Held" Orders

When you place a "*Not Held*" order with the Firm and leave the price and time of execution to our discretion, the Firm may trade in the security for our own account prior to completion of your order.

### Pre-Market & Post-Market Orders

Our Firm does not ordinarily accept orders for execution outside of normal market hours (before 9:30 am or after 4:00 pm). Unless otherwise agreed, all orders received prior to 9:30 will be executed through the primary market opening mechanism. Should our Firm accept an order for execution outside of normal market hours, the business practices discussed above will apply to the handling of such orders.

## Rule 15c3-5 and Market Access

Rule 15c3-5 (the "Market Access Rule") requires broker-dealers with or providing access to trading securities on exchanges or alternative trading systems ("ATSs") to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks in connection with market access. BGC has developed controls to comply with the Market Access Rule, which will reject or block orders that exceed previously defined risk parameters.

## Indications of Interest

Clients may receive indications of interest ("IOIs") from BGC. BGC communicates IOIs in a variety of ways, including third-party vendor systems. These IOIs may be designated as either "natural" or "non-natural". As the distinction between natural and non-natural IOIs is not consistent across the financial services industry and third-party vendor systems, BGC would like to provide you with a clear understanding of how we distinguish between natural and non-natural IOIs. As we use the term, a "natural" IOI is an indication representing (a) client interest or (b) BGC's interest to liquidate a principal position established as the result of a prior client facilitation. Therefore, resulting transactions may be executed on an agency cross basis, principal basis or mixed capacity. A "non-natural" IOI (also called a "Super" message in some vendor systems) is an indication of BGC's interest to provide you liquidity by trading as principal with you without reference to a facilitation of a client order.

## Privacy Policy Notice

BGC's privacy policy is available at **www.bgcpartners.com**.

## Business Continuity Plan

BGC's Business Continuity information is available at **www.bgcpartners.com**.

## "Held" Or "Not Held" Orders

When an order is placed with BGC for execution in the equity market, you may specify that BGC handle your order on either a "held" or "not held" basis. A "held" order means that BGC does not have discretion over the time and price in which your order is executed. If you instruct BGC to handle your order on a "held" basis, or you provide a marketable limit order, the trader must execute that order at the prevailing market price at the time the order was eligible for execution. Further, if you submit a "held" limit order, any execution has to occur at the limit price or better, if available. By contrast, a "not held" order means you are giving BGC discretion over the time and price in which your order is executed. "Not Held" orders give BGC traders the flexibility to work your order so as to obtain the best execution terms that are reasonably available within market conditions.

## Net Basis Orders

At the time you place an order with BGC, you may request to trade on a "net" basis. A "net" transaction is a principal transaction in which BGC may perform either of the following actions:

- After having received an order to buy an equity security, BGC then purchases that equity security at one price from another broker-dealer (or another customer) and then sells it to you at a different price; or,
- After having received an order to sell an equity security, BGC then sells that equity security at one price to another broker-dealer (or another customer) and then buys it from you at a different price.

In either case, BGC does not charge you a commission. Instead, BGC will collect the price difference between its principal transaction to buy (or sell) the security and its subsequent sale (or purchase) of the same security to (or from) you as compensation for executing your transaction.

In general, "net trades" must comply with the Order Protection Rule of FINRA Regulation NMS. The net price, which is reported to the Consolidated Tape, is the price of the trade for all purposes under the Order Protection Rule; such as determining whether a trade-through occurred and routing the necessary orders to execute against protected quotations to comply with the ISO exception.

## Municipal Disclosure

Each dealer acting as a "broker's broker" with respect to the execution of a transaction in municipal securities for or on behalf of another dealer shall make a reasonable effort to obtain a price for the dealer that is fair and reasonable in relation to prevailing market conditions. The broker's broker must employ the same care and diligence in doing so as if the transaction were being done for its own account. For more information on the G-43 Municipal disclosures, please see the following link: **http://www.wolfehurstbbi.com/msrb-g43.html**.

## Options Trading

Options involve risk and are not suitable for all investors. There is no guarantee that the option strategies promoted will accomplish the stated objectives. Options trading is considered speculative and may result in the loss of a portion of or all of your initial investment and/or funds in excess of the principal invested. Prior to buying or selling an option, you should read "Characteristics and Risks of Standardized Options", which is known as the options disclosure document (ODD). Electronic copies of the ODD and any supplements are available on the Options Clearing Corporation website, which is located at the following link:

**http://www.optionsclearing.com/about/publications/character-risks.jsp**.

There are special risks associated with *uncovered option writing* which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

- The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.
- As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

- Uncovered option writing is thus suitable only for a knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, your BGC representative may request significant additional margin payments. If you do not make such margin payments, BGC Securities may liquidate stock or option positions in your account, with little or no prior notice in accordance with your margin agreement.
- For combination writing, where an investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
- If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.
- The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.
- You are expected to have read and clearly understand the ODD. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This chapter does not address all of the risks entailed in writing uncovered options.

As an International Securities Exchange (ISE) member, please see the following Disclosure:

ISE Rule 716(e)(3) states that prior to entering Agency Orders into the Solicited Order Mechanism on behalf of a customer, an ISE Electronic Access Member must deliver to a customer the following notification informing the customer that its order may be executed using the ISE Solicited Order Mechanism:

*When handling an order of 500 contracts or more on your behalf, BGC or another broker-dealer acting on behalf of BGC may solicit other parties to execute against your order and may thereafter execute your order using the ISE Solicited Order Mechanism. This functionality provides single-price execution only, so that your entire order may receive a better price after being exposed to the Exchange's participants, but will not receive partial price improvement. For further details on the operation of this mechanism, please refer to ISE Rule 716, which is available at **www.ise.com** under "Membership, Rules & Fees – Regulatory – ISE Rules."*

## Introducing Broker and Future Commission Merchant Disclosure

For transactions arranged by BGC Financial, L.P. as Introducing Broker (i.e. FX Options, Swaps, Non-Deliverable Forwards (NDF), etc.), the trades are matched; however, they are pending execution until acceptance and processing to a Swap Data Repository (SDR) by either a Swap Execution Facility (SEF) or Designated Contract Market (DCM).

In accordance with CFTC Rule 1.55(b), please see the Disclaimers and Legal Information section at **www.bgcpartners.com** for the full Risk Disclosure Statement.

In accordance with CFTC Rule 1.55(k), please see the Disclaimers and Legal Information section at **www.bgcpartners.com** for BGC Financial, L.P.'s Firm Specific Disclosure Statement.

## NFA Background Affiliation Status Information Center (BASIC)

When opening an account and on an annual basis, the Firm is required to provide customers written notice of the NFA's BASIC system. As such, please see the following link: **www.nfa.futures.org/basic**

## Complaints

In accordance with SEC Rule 17a-3(a)(18)(ii), please be advised that any complaints may be directed to the following:

**BGC Financial, L.P.**
**199 Water Street, 19th Floor**
**New York, NY 10038**
**Attention: Chief Compliance Officer**

## Questions

Should you have any questions or require any additional information regarding this statement, please contact you're your BGC sales representative directly.