

## EXECUTION DISCLOSURES

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## OVERVIEW

Industry guidance and good practices deem it necessary for RQD\* Clearing (“RQD\*” or the “Firm”) to inform its clients and customers of its procedures regarding certain areas as well as its order handling practices where appropriate. **Receipt of this letter or posting on RQD\*'s website serves as your acknowledgement and informed consent to the procedures described herein.** RQD\*'s goal is to 1) provide you with disclosures regarding its policies and 2) handle your orders in a fashion suited to meet your needs in accordance with your preferences consistent with applicable rules.

No statement should be construed as a recommendation to buy or sell a security or to provide investment advice. All customers must read all risk disclosure statements relevant to their trading before opening an account.

## ANTI-MONEY LAUNDERING NOTIFICATION

To help the government fight the funding of terrorism and money laundering activities, Federal law requires financial institutions to obtain, verify, and record information that identifies each person who handles transactions on behalf of others.

Upon applying for the services of RQD\*, RQD\* is required to collect (at a minimum) information such as the following from you:

- Your Name
- Date of Birth
- Address
- Identification number, such as:
- U.S. Citizen: taxpayer identification number (social security number or employer identification number)
- Non- U.S. Citizen: taxpayer identification number, passport number, and country of issuance, alien identification card number, or government-issued identification showing nationality, residence, and a photograph of you.

You may also be asked to show your driver's license, corporate documentation or other identifying documents. A corporation, partnership, trust or other legal entity may need to provide information such as principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement.

## INVESTOR EDUCATION AND PROTECTION

Pursuant to FINRA Rule 2267, please note that the toll-free number for the Public Disclosure Program of FINRA (which provides certain information about the disciplinary history of FINRA members and their associated persons) is 1-800-289- 9999, the FINRA website is [www.finra.org](http://www.finra.org) and an investor brochure that includes information describing the Public Disclosure Program is available upon request from FINRA.

## PRIVACY POLICY

RQD\* considers the information our clients provide to us, and entrust with us, on a daily and ongoing basis to be of the utmost importance. In order to provide brokerage services and maintain compliance with securities regulations, RQD\* collects certain personal, non-public information from you, which is obtained from the following sources:

- Information RQD\* receives from you on applications or other forms; and
- Information about your transactions with others or us.

RQD\* uses the personal, non-public information that we collect to service your firm, which includes using the services available through the RQD\* system(s). The information may also be necessary to execute and confirm your RQD\* transactions. In doing so, we may share such information with others.

RQD\* restricts access of your personal, non-public information to those employees who need to know that information to provide products and/or services to you. RQD\* maintains physical, electronic, and procedural safeguards to guard your personal, non-public information.

You may find RQD\*'s complete Privacy Policy here: <https://rqdclearing.com/wp-content/uploads/2024/03/PrivacyPolicy20240109.pdf>.

### **SEC RULE 606**

SEC Rule 606 requires broker-dealers that route customer orders in listed option securities to make publicly available quarterly reports that identify the venues to which client orders are routed for execution. RQD\*'s Rule 606 report is available at <https://rqdclearing.com/other-disclosures/>.

You may contact RQD\* for the identity of the venue to where your orders were routed for execution in the (6) six months prior to your request, whether the orders were directed orders or non-directed orders, and the time of the transaction, if any that resulted from such orders by sending an email to the RQD\* Team at [compliance@RQDclearing.com](mailto:compliance@RQDclearing.com).

### **EXECUTION QUALITY**

When handling orders on your behalf, RQD\* will take all reasonable steps to obtain the best possible execution based on the specific instructions of each order. When making a determination regarding how best to fill an order, the Firm will consider a variety of factors, including but not limited to price, the need for timely execution, the liquidity of the relevant market, the size of the order, the trading characteristics of the security involved, and the cost of the transaction. The Firm may attempt to obtain best execution by routing orders on your behalf to market centers, including national securities exchanges, alternative trading systems, electronic communications networks, and other broker-dealers.

The Firm will always take into account all specific instructions provided on an order. However, in the absence of express instructions from a counterparty, all orders routed to RQD\* will be deemed not held, and the Firm may exercise its own discretion based on its professional expertise with regard to both the timing and pricing of any such incoming orders.

Order size is a key factor when determining how to achieve best execution for an order. Because there is typically a correlation between the size of an order and its impact on the execution price of a security, orders of large size and/or less liquid products may not be filled at the quotes displayed by market data services (which typically apply only to orders of a limited size), or may be worked over a period of time so as to not exert undue pressure on the price of the security in question, as the Firm will attempt to minimize market impact to achieve the fastest and best possible fill for each order.

Additionally, RQD\* may use all available exchange-provided functionality, including various order types, exchange auction mechanisms, attributed orders, and preferenced orders, in addition to soliciting requests for quotes from one or more affiliated or unaffiliated market makers in order to provide best execution and, when available, price improvement relative to the published markets. In certain instances, RQD\* will solicit partner market makers or customers, to provide liquidity for orders routed to the Firm.

### **SEC RULE 15c3-5 MARKET ACCESS**

SEC Rule 15c3-5 requires broker-dealers with access to exchanges or Alternative Trading Systems ("ATS") to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to limit the financial exposure of the broker-dealer. RQD\* has allocated this responsibility to its broker dealer clients because its clients have better access to the ultimate customers and their trading information, and can more effectively implement the controls and procedures required under the rule. RQD\* has also implemented client specific pre-trade risk parameters that will reject orders when breached. For intra-day limit changes or inquiries regarding 15c3-5 parameters, please contact RQD\* Support by email at [support@RQDclearing.com](mailto:support@RQDclearing.com).

### **SEC Rule 13h-1 Large Trade Reporting**

SEC Rule 13h-1, Large Trader Reporting, requires a person or entity that meets the definition of a Large Trader to: (1) identify itself to the SEC via filing a Form 13H, (2) obtain a Large Trader ID ("LTID") from the SEC, and (3) provide their LTID to all executing and clearing registered broker-dealers through which they transact in NMS securities and identify each account to which it applies. A Large Trader is defined as a person or entity whose trades in NMS equity securities and/or Listed Options for their own account or any account which they exercise discretion over that equals or exceeds either 2 million shares or \$20 million during any calendar day, or 20 million shares or \$200 million during any calendar month.

It is the client's responsibility to register with the SEC if the it qualifies as a large trader and to provide the information (LTID) to RQD\*. LTIDs must be submitted upon account onboarding. LTID information registered and obtained after account onboarding may be sent to [compliance@RQDclearing.com](mailto:compliance@RQDclearing.com). See also <https://www.sec.gov/divisions/marketreg/large-trader-fags.htm>. Frequently Asked Questions Concerning Large Trader Reporting.

### **ACCURATE ORDER INFORMATION**

Clients are required to submit accurate, timely, and complete order information on all orders routed to RQD\*. Such information includes, but is not limited to, proper account origin code, actionable identifiers, customer account information (if required), CMTA information, and Qualified Contingency Cross ("QCC") eligibility. Clients must also inform RQD\* of any restrictions on the account by clearing firms, exchanges, or regulators.

### **PAYMENTS FOR ORDER FLOW**

Although our clients normally select the destination for the execution of their options order, RQD\* has chosen to participate within the available payment for order flow programs offered by various options exchanges pursuant to the marketing fee programs that have been adopted by such exchanges and approved by the Securities and Exchange Commission. RQD\* may receive and/or make payments in varying amounts from the exchanges or other broker dealers. Absent any direction or preference from you on your order, RQD\* may route to these exchanges based on several factors including size and complexity of the order, liquidity of the market, available price improvement, and potential price impact.

### **INDICATIONS OF INTEREST**

RQD\* uses its systems to advertise indications of interest ("IOI") to certain counterparties/responders. These counterparties/responders include broker-dealers, such as market makers, and customers. Indications of interest are expressions of trading interest that contain one or more of the following elements: security name, side of the market, size, and/or price. RQD\*, as part of its relationship with responders, attempts to provide its customers' orders with 1) liquidity (size) improvement; 2) faster executions; and 3) price improvement. Given the fact that RQD\* is a broker dealer executing options transactions on an agency basis ONLY, all IOI messages disseminated to responders are "natural" (customer order in hand) and are executed on an OCC options exchange. Only non-directed marketable orders are expressed in the Firm's IOI. All other orders are routed to the exchange as directed by the customer.

### **INFORMATION SHARING**

The Firm may share certain post trade information with its unaffiliated market makers for the purposes of analyzing post trade data to improve best execution for clients when the Firm internalizes orders. RQD and unaffiliated market makers may derive additional benefits from internalization, such as reduced transaction costs. The Firm does not disclose client identifying information in real time, including name, origin code capacity, or settlement firm to unaffiliated parties, however RQD may share certain information on a T+1 basis. The Compliance Department routinely monitors the access, use, and sharing of this information to ensure that Firm personnel are following internal procedure.

## FRACTIONAL TRADING OVERVIEW

You may purchase and hold certain U.S. stocks in fractional rather than whole-share quantities. This disclosure summarizes the features, limitations, and risks associated with trading in, and holding, fractional shares. Your ability to submit a whole share order or a fractional order is determined by your Introducing Broker and/or RQD.

**Securities Eligible for Fractional Share Trading:** Fractional Share trading is available only for certain equities and ETFs. The ability to engage in fractional share trading is based on market cap, volume, liquidity, volatility, and other factors used by RQD to determine which securities are eligible for fractional trading. Eligible securities are subject to change by RQD at any time.

If a security is no longer eligible for trading, then your existing fractional shares may be subject to liquidation only, meaning that you cannot accumulate more fractional shares in the particular security, but you will be able to divest your fractional share interests in that security.

**RQD as Agent & Order Types for Fractional Shares:** RQD acts as agent for all fractional trades. This means RQD sends your orders to a liquidity provider for execution. RQD will accept market and limit orders in both fractions (e.g. 0.75) and dollar values (e.g. \$5.00) for fractional share trading. Dollar values will be converted into share quantities for execution. In all cases, when converting dollar value orders into share quantities the share quantities will be rounded. Thus, the actual amount of an executed dollar-value trade may be different from the requested amount.

Orders with a fractional share component may be marked "Not Held," at RQD's or Introducing Broker's sole discretion, which gives RQD the time and price discretion to execute the order without being held to the security's current quote. In connection therewith, each time you submit an order to buy or sell a fractional share quantity or dollar amount of a particular security, you authorize RQD's liquidity providers to "work the order." If you do not wish your order to be handled on a Not Held basis, you should not engage in fractional trading.

**Fractional Share Decimal Places and Rounding:** RQD records the quantity of fractional shares traded or otherwise held in your brokerage account to five decimal places. Standard rounding conventions apply to that fifth digit.

**Liquidity and Transferability of Fractional Shares:** While you maintain complete day-to-day control of any fractional shares in your account, fractional shares are not transferable to another broker. The Automated Customer Account Transfer System (ACATS) does not support fractional shares. If you want to transfer holdings in your account to another brokerage firm, the fractional shareholdings will not be transferred and must be liquidated by your or RQD before transfer. This may have tax consequences.

If your account is closed, then the fractional shares held in your account may be liquidated and the proceeds distributed to you as cash.

**Dividends for Fractional Shares:** You may receive payments of dividends, or in some cases in connection with stock dividends, either shares or their commensurate value. In the event of corporate actions (e.g. stock splits, mergers, or other mandatory corporate actions), RQD reserves the right and sole discretion to provide pro-rata cash in exchange for fractional positions held.

Certain items related to fractional share ownership including, but not limited to, those stated within this disclosure, may be subject to dividends. These dividends must be greater than or equal to \$0.01 in value per share in order to be credited to your account. Amounts smaller than \$0.01, or other nondivisible amounts, will not be distributed and will be handled in accordance with the process described in "Undistributable Interest", below.

**Undistributable Interests:** RQD will only support payments that are equal to or greater than \$0.01 per share. Amounts smaller than that, or nondivisible amounts will not be distributed. Instead, it is generally but not always the case that when the aggregate value to be distributed is less than or equal to \$1.00, it will be retained by RQD, and when it exceeds \$1.00, it will be escheated.

**Voting Rights for Fractional Shares:** You will not have voting rights for any fractional shares held in your account. For example, you will not be able to make voluntary elections on any corporate action including, without limitation, any tender offers, or rights offerings with respect to your fractional shares. RQD cannot provide you documentation for any holdings of less than one share.

### **NASDAQ ISE SOLICITATION ORDERS**

Pursuant to International Securities Exchange Rule 716, RQD\* is required to provide the following disclosure, informing you of our intent to use the Solicited Order mechanism to cross customer options orders. ISE Rule 716(e) provides that when handling an order of 500 contracts or more on your behalf, RQD\* may solicit other parties to execute against your order and may thereafter execute your order using the International Securities Exchange's Solicited Order Mechanism. This functionality provides a 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 International Securities Exchange Rule 716, which is available at <http://ise.cchwallstreet.com/>.

### **CBOE SOLICITATION AUCTION MECHANISM**

Pursuant to Chicago Board Options Exchange Rule 5.39, RQD\* is required to provide the following disclosure, informing you of our intent to use the Solicited Auction mechanism to cross customer options orders. CBOE Rule 5.39 provides that RQD\* may electronically execute orders it represents as agent against solicited orders if: (i) the agency order is for 500 contracts or more (or 5,000 mini option contracts); (ii) the order is designated as all-or-none; and (iii) the minimum price increment for single price submission is determined by CBOE but may not be smaller than one cent. For further details on the operation of this Mechanism, please refer to CBOE Rule 5.39, which is available at [https://cdn.cboe.com/resources/regulation/rule\\_book/C1\\_Exchange\\_Rule\\_Book.pdf](https://cdn.cboe.com/resources/regulation/rule_book/C1_Exchange_Rule_Book.pdf).

### **PROFESSIONAL CUSTOMER**

Most U.S. option exchanges implemented rules which serve to distinguish orders originating from a group of public customers deemed to be "Professional" (i.e., persons or entities having access to information and/or technology which enables them to trade in a manner as a broker dealer) as opposed to retail. In accordance with these rules, any customer account which is not a broker dealer and which places more than 390 listed option orders (whether executed or not) on a daily average across all option exchanges in a given month for its own beneficial account(s) will be classified as Professional Orders submitted on behalf of Professional customers to these option exchanges will be treated the same as broker dealers for purposes of execution priority.

Brokers are required to conduct a review on a calendar quarter basis to identify those customers who have exceeded the 390 order threshold for any month in that quarter and who are to be designated as Professional for the next calendar quarter. Note that for purposes of this rule, spread orders are considered a single order, rather than each leg of the spread as an individual order. Original 2009 CBOE Regulatory Circular RG09-148 including frequently asked questions <https://www.cboe.org/publish/RegCir/Reg09-148.pdf>

### **MIAX SOLICITATION ORDERS**

Pursuant to Miami International Securities Exchange, LLC Rule 515A, RQD\* is required to provide the following disclosure, informing you of our intent to use the Solicited Auction mechanism to cross customer options orders. MIAX Rule 515A provides that RQD\* may electronically execute orders that it represents as agent against solicited orders if: (i) the agency order is 500 contracts or more (or 5,000 mini option contracts); (ii) the order is designated as all-or-none; and (iii) the minimum price increment for single price submission is determined by MIAX but may not be smaller than one cent. For further details on the operation of this Mechanism, please refer to MIAX Rule 515A, which is available at <https://www.miaxoptions.com/rulebook>.

### **BUSINESS CONTINUITY PLAN OVERVIEW**

RQD\*'s business continuity plan was developed to provide reasonable assurance that RQD\*, in the event that there are disruptions of normal business operations, can maintain business continuity. The plan was developed to anticipate various types of potential disruptions to ensure that the Firm can react appropriately and timely should a business disruption occur. But no contingency plan provides total assurance that an interruption will not occur or that as a result of a disruptive event, a disruption of normal operations will ensue. RQD\* may periodically update the plan in an effort to maintain as comprehensive a plan as possible.

RQD\* provides agency execution services only. Accordingly, the Firm's plan focuses on identifying potential risks that may inhibit the Firm's ability to provide execution services and implements the

processes that are to be followed in order to reestablish business operations. The plan is designed to address key areas of concern including but not limited to the following:

- Data back-up and recovery;
- Mission critical systems;
- Financial and operational assessments;
- Alternate means of communication between the firm and its customers;
- Alternate means of communication between the firm and its employees;
- Alternate physical locations for employees;
- Critical business constituent, bank and counter-party impact;
- Regulatory reporting; and
- Communications with regulators.

Should there be a serious business disruption, RQD\* customers are encouraged to contact RQD\* at **support@RQDclearing.com** or contact us at (212) 686-8650 for further information.

#### **SIPC DISCLOSURE**

In accordance with FINRA Rule 2266, RQD\* is providing notice to you that information pertaining to the Securities Investor Protection Corporation ("SIPC") including an SIPC Brochure, may be obtained by contacting the following or the web at:

Securities Investor Protection Corporation 805 15th Street, N.W. Suite 800  
Washington, D.C. 20005-2215  
202-371-8300  
www.sipc.org

#### **OPTIONS DISCLOSURE DOCUMENT**

Options involve risk and are not suitable for all investors. Prior to buying or selling an option, each customer must review a copy of the Characteristics and Risks of Standardized Options (ODD). This document is available on the OCC's website at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. Please contact your RQD\* representative for a paper copy of the disclosure document.

Spreads, straddles, and other multiple-leg options strategies can entail substantial transaction costs, including multiple commissions, which may impact any potential return. These are advanced option strategies and often involve greater risk, and more complex risk, than basic options trades.

#### **CLIENT COMPLAINTS**

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

RQD\* Clearing  
One World Trade Center, Suite 47M  
New York, NY 10007  
Attn: Michael Sanocki  
Email: [compliance@rqdclearing.com](mailto:compliance@rqdclearing.com)