

August 19, 2022

**TO:** All Customers of National Bank of Canada Financial Inc. ("NBCFI")

**RE:** Annual Disclosure Requirement

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Dear Valued Customer,

We at NBCFI appreciate your business. These annual disclosures are being provided to you pursuant to regulations issued by the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority, Inc. ("FINRA").

### **Privacy Notice**

We recognize the importance of protecting the privacy of our customers, and as such, we have policies in place to maintain the confidentiality and security of customer information. NBCFI seeks to protect the security and confidentiality of customer information. This notice will help you understand what types of nonpublic personal information – information about you that is not publicly available – we may collect, how we use it and how we protect your privacy. We recognize that you expect your personal information to be handled in a professional, confidential manner, and we have adopted the following policies to safeguard your privacy and to explain the circumstances, under which we may collect, maintain, and use any non-public personally identifiable information that you provide us.

We collect information about you to help us serve your financial needs, provide customer service, and fulfill legal and regulatory requirements. The type of information we collect may include:

- Information we receive from you on applications or other forms
- Information about your transactions with us or others
- Information that we receive from a consumer reporting agency such as your creditworthiness and credit history

We do not share non-public personal information about you with unaffiliated third parties with whom we have no contractual business relationship for their independent use unless (1) you give us permission, (2) it is necessary to complete a transaction of your behalf, (3) it is necessary to protect you against fraud, comply with a subpoena or other court order, or is otherwise required or permitted by law. We do not sell information about you to outside unaffiliated companies.

Furthermore, we restrict access to your personal and account information to those employees who need to know that information to provide products and services to you and maintain strict physical, electronic, and procedural safeguards to guard your nonpublic personal information.

Even if you are no longer our customer, we will adhere to the privacy policies and practices as described in this notice.

In the event that NBCFI's processing of personal information is subject to the General Data Protection Regulation (Regulation (EU) 2016/679) ("GDPR"), such processing will be carried out in accordance with Article 6(1)(c) of the GDPR. In the event that NBCFI's transfer of personal information to its affiliated companies in Canada (e.g. National Bank of Canada) is subject to the GDPR, such transfer will be carried out in accordance with Article 49(1)(c).

We reserve the right to change these privacy policies at any time. You will receive appropriate notice of changes to our Privacy Policy.

Please contact us if you have any questions about this policy or any other concerns.

**SEC Rule 15a-6**

NBCFI operates pursuant to 15a-6 safe harbor under the Securities Exchange Act of 1934. A 15a-6 agreement is maintained with our affiliates, National Bank of Canada and National Bank Financial Inc. ("NBF Inc.")

**Canadian Residents – International Dealer Relief Exemption**

**Non-Resident Status Disclosure.** NBCFI is a registered broker-dealer in the United States under the Securities Exchange Act of 1934 with the Securities Exchange Commission. NBCFI is also registered with the Financial Industry Regulatory Authority (FINRA), Options Clearing Corporation, and Municipal Securities Rulemaking Board. NBCFI's principal place of business is 65 East 55th Street, NY, NY 10022. NBCFI is relying on the International Dealer Relief Exemption and is not registered in your local Canadian jurisdiction (Toronto/Ontario) where we may transact with your firm as an investment dealer. As a result, our assets may be located outside of Canada you may experience difficulty in enforcing legal rights against NBCFI because of the foregoing. Please be advised that Tory's LLP located at 79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario, M5K 1N2 Canada acts as NBCFI's agent for service in the local Canadian jurisdiction.

**Anti-Money Laundering / Know Your Customer Disclosure**

The USA PATRIOT Act of 2001 is designed to detect, deter, and punish terrorists in the United States and abroad and imposes anti-money laundering ("AML") requirements on brokerage firms and financial institutions. Under the Act's provisions, all brokerage firms are required to have comprehensive AML programs. As part of our AML program, we may ask you to provide various identification documents or other information prior to effecting any transactions for you.

**Customer Identification Program Notice**

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 customer who opens an account with us. In general, an "account" for this purpose means a formal relationship established to effect transactions in securities, including, but not limited to, the purchase or sale of securities and securities borrowed and loan activity.

**What types of information will I need to provide?**

When an individual opens an account, NBCFI is required to collect information such as the following:

- Name
- Date of birth
- Address
- Identification number:
  - 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.

Individuals may also need to show a driver's license or other identifying documents.

A corporation, partnership, trust or other legal entity may need to provide other information, such as its principal place of business, local office, employer identification number, documents of formation such as certified articles of incorporation, government-issued business license, a partnership agreement, or a trust agreement and resolutions that name the persons authorized to give us instructions regarding the accounts.

U.S. Department of the Treasury, SEC and FINRA rules already require you to provide most of this information. These rules also may require you to provide additional information, such as net worth, annual income, occupation, employment information, investment experience and objectives, and risk tolerance.

Furthermore, pursuant to the U.S. Department of the Treasury's new Customer Due Diligence Rule, legal entity customers may be asked to provide verification and identification information about its ultimate beneficial owners and control persons.

**What happens if I don't provide the information requested or my identity can't be verified?**

NBCFI may not be able to open an account or carry out securities transactions for you. If NBCFI already has an account opened for you, they may have to close it.

Under certain circumstances, NBCFI may become obligated to disclose this information pursuant to applicable laws, rules, or regulations, but the information will otherwise be held in confidence in accordance with our privacy policy.

### **311 Notification**

Pursuant to U.S. regulations issued under Section 311 of the USA PATRIOT Act, 31 USC 5318A, NBCFI is prohibited from establishing, maintaining, administering, or managing correspondent accounts for, or on behalf of the following "Section 311 Entities":

1. Bank of Dandong or any of its branches, offices, and subsidiaries;
2. The Commercial Bank of Syria or any of its branches, offices, or subsidiaries (including Syria Lebanese Commercial Bank);
3. North Korean banking or financial institutions as defined in 31 CFR 1010.659
4. FBME Bank, Ltd. or any of its branches, offices and subsidiaries; and
5. Islamic Republic of Iran.
6. Burma

The regulations also require us to notify you that your correspondent account with our financial institution may not be used to provide services to or on behalf of, or involve, any of the Section 311 Entities. If we become aware that any of the Section 311 Entities are indirectly using or accessing the account you hold at our financial institution, we will be required to take appropriate steps to prevent such access, including terminating your account.

Please refer to the FinCEN website for additional information regarding these entities and jurisdictions as information may be periodically amended.

<https://www.fincen.gov/resources/statutes-and-regulations/311-special-measures>

### **Business Continuity Plan Disclosure**

NBCFI has developed a Business Continuity Plans ("BCP") on how we will respond to events that significantly disrupt our business. The following information outlines NBCFI planned responses to service disruptions. This information is provided pursuant to FINRA Rule 4370 – Business Continuity Plans ("BCP") which requires member firms to maintain appropriate business continuity plans to address varying scenarios that may result in service disruption.

**Contacting Us:** If after significant business disruption you cannot contact us as you usually do, please contact us at 514-390-3320 or [anik.lapointe@nboc.com](mailto:anik.lapointe@nboc.com) or Louis Petitto at 917-363-7171 or [louis.petitto@nboc.com](mailto:louis.petitto@nboc.com). If you cannot access us through either of these means, you should contact our clearing firm NBF Inc. at 514-875-3800.

NBCFI plans to quickly recover and resume business operations after a Significant Business Disruption ("SBD") and respond by safeguarding our employees and property, making a financial and operational assessment, protecting all of the Firm's books and records, and allowing NBCFI customers to transact business. In short, our BCP is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the SBD.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

Our clearing firm, NBF Inc., backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to restore its own operations and be able to complete existing transactions and accept new

transactions and payments within 48 hours. Your orders and requests for funds and securities could be delayed during this period.

Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where the firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 24 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within 48 hours. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you via our customer emergency number. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer's prompt access to their funds and securities.

Recovery time objectives are estimated deadlines to be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure – particularly telecommunications – can affect actual recovery times. In this regard, our plans are designed to restore services in the order of priority that our customers, counterparties and regulators would expect to facilitate minimal disruption and maintenance of appropriate service levels. Communication with affected employees is achieved through the use of an automated emergency notification system as well as the use of a contingency hotline, which permits custom messages to be recorded for affected business units.

In the event that NBCFI's New York office is affected, we have UPS power to support selected applications and processes for short-term outages. For disruptions that require us to vacate the premises, we have the capability of redirecting telephone calls to remote locations that are well outside of the immediate vicinity until such time as we can recover to the closest one of our unaffected branch office locations or to our parent company in Montreal or Toronto. Our plans for widespread geographic outages include the use of our branch offices that are not located in the New York metropolitan area or to our parent company in Montreal or Toronto. These plans can be implemented as soon as employees deemed critical to the continuity plan are relocated to that location.

NBCFI's business continuity plan is tested on a periodic basis in an effort to simulate events and is subject to ongoing modification to address changing business and environmental conditions as well as specific test results. But such testing may not replicate the actual conditions we experience in a real emergency. It is required to be formally reviewed and its approval reconfirmed on an annual basis.

For more information – If you have questions about our business continuity plan, you can contact our Operations Department at 212-632-8683 or [Chloe.blondy@nboc.com](mailto:Chloe.blondy@nboc.com). Various identification documents or other information prior to effecting any transactions for you.

## **Remote Working**

Due to the ongoing challenges of the current pandemic, NBCFI has instituted a hybrid work model. The Compliance Team issued new guidelines to employees working from home to meet regulatory standards and procedures mandated by FINRA as well as other regulatory agencies. If you require additional information regarding NBCFI's remote working practices, please do not hesitate to contact NBCFI's Chief Compliance Officer, Katie McGowan, at [kmcgowan@nbf-us.com](mailto:kmcgowan@nbf-us.com).

## **FINRA Public Disclosure Information**

The Board of Governors of FINRA, Inc. has adopted a public disclosure policy that provides certain types of disciplinary information on FINRA Member Firms and their Associated Persons in response to written inquiries via FINRA's Regulation's web site address ([www.finra.org](http://www.finra.org)) or telephone inquiries via FINRA Regulation's toll-free telephone listing (1-800-289-9999). FINRA's Public Disclosure Policy gives you access to information that may help you determine whether to conduct business with a FINRA Member Firm or with its Associated Persons and for other uses consistent with FINRA's Public Disclosure Policy. A brochure describing the Public Disclosure Program is available to you upon request by contacting FINRA.

## **FINRA BrokerCheck**

You may check the background of your investment professional by looking up a brokerage firm or broker in FINRA BrokerCheck. BrokerCheck is a free online tool to help investors check the professional background of current registered brokers and brokerage

firms. It should be the first resource that investors turn to when choosing whether to do business with a particular broker or brokerage firm.

Features of BrokerCheck include:

- Search capabilities for both a broker and a brokerage firm;
- Online delivery of a report on a broker or a brokerage firm;
- Explanatory information to help investors to understand better the content, context, and source of information provided; and
- Links to additional resources and tools.

The information made available through BrokerCheck is derived from the Central Registration Depository, the securities industry registration and licensing database, as reported on industry registration and licensing forms completed by brokers, brokerage firms and regulators. BrokerCheck features professional background information on currently registered brokers and brokerage firms.

For questions regarding BrokerCheck, FINRA provides a toll-free hotline at (800) 289-9999, which is available Monday through Friday from 8:00AM until 8:00PM Eastern time. BrokerCheck may be found on the FINRA website at <http://www.FINRA.org> under the heading "Investors".

## **SIPC**

NBCFI is a member of the Securities Investor Protection Corporation ("SIPC"), which provides account protection for the net equity of a customer's funds and securities positions. SIPC provides \$500,000 of primary net equity protection, including \$250,000 for claims for cash ("SIPC Coverage"). The SIPC telephone number is (202) 371-8300 and website address is <http://www.sipc.org>. You may obtain information about SIPC, including the SIPC brochure, by contacting SIPC.

## **Customer Complaints**

All complaints should be made by writing to the NBCFI Compliance Department, Attention: Chief Compliance Officer, NBCFI, 65 East 55<sup>th</sup> Street, 8<sup>th</sup> Floor, New York, New York, 10022 or by calling the NBCFI's; Compliance Department, 212-546-7703. Please describe the complaint in detail.

## **Recorded Telephone Conversations**

NBCFI is not subject to FINRA's taping rule. However, due to the dual-hatting of certain NBCFI employees with other NBC affiliated entities, some of NBCFI's telephone lines may be recorded. Even though you may not hear an audible tone, your conversation with us may be recorded for our mutual protection.

## **Material Conflicts of Interest**

The purpose of this section is to provide you with information about some of the material conflicts of interest that may arise between you and NBCFI and its affiliates, in connection with performing services for you with respect to futures, options on futures, swaps (as defined in the Commodity Exchange Act), forwards or other commodity derivatives ("Contracts"). Conflicts of interest can arise in particular when NBCFI has an economic or other incentive to act, or persuade you to act, in a way that favors NBCFI or its affiliates.

Under applicable law, including regulations of the Commodity Futures Trading Commission ("CFTC"), not all swaps are required to be executed on an exchange or swap execution facility (each, a "Trading Facility"), even if a Trading Facility lists the swap for trading. In such circumstances, it may be financially advantageous for NBCFI or its affiliates to execute a swap with you bilaterally in the over-the-counter market rather than on a Trading Facility and, to the extent permitted by applicable law, we may have an incentive to persuade you to execute your swap bilaterally.

Applicable law may permit you to choose the CFTC-registered derivatives clearing organization ("Clearing House") to which you submit a swap for clearing. You should be aware that NBCFI may not be a member of, or may not otherwise be able to submit your swap to, the Clearing House of your choice. NBCFI consequently has an incentive to persuade you to use a Clearing House of which NBCFI or its affiliate is a member.

You also should be aware that NBCFI or its affiliate may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign Trading Facilities or Clearing Houses where your transactions in Contracts may be executed and/or cleared. As a result, NBCFI may receive financial or other benefits related to its ownership interest when Contracts are executed on a given Trading Facility or cleared through a given Clearing House, and NBCFI would, in such circumstances, have an incentive to cause Contracts to be executed on that Trading Facility or cleared by that Clearing House. In addition, employees and officers of NBCFI or its affiliate may also serve on the board of directors or on one or more committees of a Trading Facility or Clearing House.

In addition, Trading Facilities and Clearing Houses may from time to time have in place other arrangements that provide their members or participants with volume, market-making or other discounts or credits, may call for members or participants to pre-pay fees based on volume thresholds, or may provide other incentive or arrangements that are intended to encourage market participants to trade on or direct trades to that Trading Facility or Clearing House. NBCFI may participate in and obtain financial benefits from such incentive programs.

When we provide execution services to you (either in conjunction with clearing services or in an execution-only capacity), we may direct orders to affiliated or unaffiliated market-makers, other executing firms, individual brokers or brokerage groups for execution. When such affiliated or unaffiliated parties are used, they may, where permitted, agree to price concessions, volume discounts or refunds, rebates, or similar payments in return for receiving such business. Likewise, where permitted by law and the rules of the applicable Trading Facility, we may solicit a counterparty to trade opposite your order or enter into transactions for its own account or the account of other counterparties that may, at times, be adverse to your interests in a Contract. In such circumstances, that counterparty may make payments and/or pay a commission to NBCFI in connection with that transaction. The results of your transactions may differ significantly from the results achieved by us for our own account, our affiliates, or for other customers.

In addition, where permitted by applicable law including, where applicable, the rules of the applicable Trading Facility, NBCFI, its directors, officers, employees, and affiliates may act on the other side of your order or transaction by the purchase or sale for an account, or the execution of a transaction with a counterparty, in which NBCFI or a person affiliated with NBCFI has direct or indirect interest, or may effect any such order with a counterparty that provides NBCFI or its affiliates with discounts related to fees for Contracts or other products. In cases where we have offered you a discounted commission or clearing fee for Contracts executed through NBCFI as agent or with NBCFI or its affiliates acting as counterparty, NBCFI or its affiliate may be doing so because of the enhanced profit potential resulting from acting as executing broker or counterparty.

NBCFI or its affiliate may act as, among other things, an investor, research provider, placement agent, underwriter, distributor, remarketing agent, structure, securitizer, lender, investment manager, investment adviser, commodity trading advisor, market maker, trader, prime broker, or clearing broker. In those and other capacities, NBCFI, its directors, officers, employees and affiliates may take or hold positions in, or advise other customers and counterparties concerning, or publish research or express a view with respect, a Contract or a related financial instrument that may be the subject of advice from us to you. Any such positions and other advice may not be consistent with, or may be contrary to, your interests or to positions which are the subject of advice previously provided by NBCFI or its affiliate to you, and unless otherwise disclosed in writing, we are not necessarily acting in your best interest and are not assessing the suitability for you of any Contract or related financial instrument. Acting in one or more of the capacities noted above may give NBCFI or its affiliate access to information relating to markets, investments, and products. As a result, NBCFI or its affiliate may be in possession of information which, if known to you, might cause you to seek to dispose of, retain or increase your position in one or more Contracts or other financial instruments. NBCFI and its affiliate will be under no duty to make any such information available to you, except to the extent we have agreed in writing or as may be required under applicable law.

## **Fiduciary Rule**

Recently the U.S. Department of Labor's issued its final regulation (the "Fiduciary Rule")<sup>1</sup> expanding the circumstances in which a service provider may be deemed a "fiduciary" providing "investment advice" for purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"). As you know, NBCFI (as applicable, "we" and "us") provides certain services to you or your clients in a non-fiduciary capacity (the "Services"). Accordingly, given the Fiduciary Rule, we would like to confirm this understanding, as well as to establish that, to the extent that you are acting on behalf of any client, account, or arrangement that is subject to Title I of ERISA or Section 4975 of the Code (each such client, account, or arrangement, an "ERISA Client"), you are or another person is an "independent fiduciary" responsible for causing such ERISA Client to engage our Services.

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<sup>1</sup> See 81 Fed. Reg. 20,946 (April 8, 2016) (promulgating the final version of the Fiduciary Rule), and 81 Fed. Reg. 16,902 (April 7, 2017) (extending the applicability date of the Fiduciary Rule until June 9, 2017); see also the Department of Labor, Employee Benefits Security Administration's web page on the Fiduciary Rule and related developments, available at: <https://www.dol.gov/agencies/ebsa/laws-and-regulations/rules-and-regulations/completed-rulemaking/1210-AB32-2>.

By continuing to engage our Services in order to effect transactions on behalf of an ERISA Client (each, a "Transaction"), you will be deemed to have represented that:

1. The fiduciary causing the ERISA Client to engage in any Transaction (the "Independent Fiduciary") is independent of us and is capable of evaluating investment risks independently, both in general and with regard to such Transaction.
2. We have not provided, and you acknowledge and agree that we will not provide, to you, the Independent Fiduciary, the ERISA Client, or any other fiduciary of the ERISA Client any recommendation as to the advisability of acquiring, holding, disposing of, exchanging, or managing securities or other investment property, either generally or in connection with any Transaction.
3. The Independent Fiduciary has been informed that, in providing the Services in connection with any Transaction, we are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with such Transaction. In addition, the Independent Fiduciary has been informed that we may have a financial interest in any Transaction effected through the use of our Services. These financial interests may include, without limitation, transaction fees, commissions, bid/offer spreads, mark-ups or mark-downs, interest charges, discounts, rebates, credits, refunds, fee waivers, compensation/fees for serving in a particular role (e.g., calculation agent, administrative agent trustee, servicer, fund administrator, or structuring agent), benefits associated with our ownership or other interests in or commercial relationships with trading venues, platforms or other third parties involved in a Transaction, reimbursement of expenses incurred by us, profits associated with hedging of Transactions, and profits associated with the use of assets provided to us in connection with a Transaction (e.g., collateral, margin, and deposits), in each case subject to the relevant documentation governing the Transaction and applicable law.
4. The Independent Fiduciary is a "fiduciary" within the meaning of Section 3(21)(A) of ERISA or Section 4975(e)(3) of the Code with respect to each Transaction and is responsible for exercising independent judgment in evaluating such Transaction.
5. If the ERISA Client is either (a) an account or annuity described in Section 4975(e)(1)(B) through (F) of the Code (including, for example, an individual retirement account described in Section 408(a) of the Code) (an "IRA") or (b) an employee benefit plan described in Section 3(3) of ERISA or a plan described in Section 4975(e)(1)(A) of the Code ("Plan"), then the Independent Fiduciary is not the owner (or a relative thereof) of such IRA or a beneficiary or participant (or a relative thereof) of such Plan.
6. The Independent Fiduciary is (a) a bank as defined in Section 202 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), or similar institution that is regulated and supervised and subject to periodic examination by a state of the United States or a U.S. federal agency; (b) an insurance company that is qualified under the laws of more than one state of the United States to perform the services of managing, acquiring, or disposing of assets of an ERISA Client; (c) an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state of the United States (referred to in such paragraph (1)) in which it maintains its principal office and place of business; (d) a broker-dealer under the U.S. Securities Exchange Act of 1934, as amended; or (e) an independent fiduciary that holds, or has under management or control, total assets of at least \$50 million.
7. None of the ERISA Client, any fiduciary of the ERISA Client, any participant or beneficiary of the ERISA Client (if the ERISA Client is a Plan), or owner of the ERISA Client (if the ERISA Client is an IRA) has paid us, and you acknowledge and agree that we will not be paid, any fee or compensation for the provision of investment advice (as opposed to other services) in connection with any Transaction.

If you engage our Services on behalf of ERISA Clients but are not their Independent Fiduciary for purposes of any Transaction, please forward this letter to the appropriate Independent Fiduciary of each relevant ERISA Client with respect to such Transaction. If you have any questions on the foregoing, please feel free to contact Katie McGowan at (212) 546-7703.

### **Uniform Net Capital Rule (Rule 15c3-1)**

NBCFI is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. NBCFI has elected to use the alternative method permitted by Rule 15c3-1, which requires that NBCFI maintain minimum net capital, as defined, equal to \$250,000. As of June, 2022 NBCFI had net capital, as defined, of \$363,832,074 which was \$363,582,074 in excess of its minimum net capital of \$250,000.

The most recent copy of NBCFI's Statement of Financial Condition is available at <http://nbfm.ca/en/about-us/regulatory-information/> or will be mailed upon request, at no charge, by calling the toll-free telephone number 866-551-0515.



## **FINRA Rule 5320 Disclosures**

FINRA Rule 5320 generally prohibits a broker-dealer that accepts and holds an order in any security from its customer or a customer of another broker-dealer without immediately executing the order 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.

Institutional Accounts & Large Orders – FINRA Rule 5320 permits a member organization to trade a security on the same side of the market for its own account at a price that would satisfy a customer order in certain circumstances. With respect to orders for an “institutional account,” as defined in NASD Rule 4512(c), or for orders of 10,000 shares or more (unless such orders are less than \$100,000 in value). Rule 5320 permits a broker-dealer to trade an equity security on the same side of the market for its own account at a price that would satisfy such customer order, provided that certain notice is provided to the customer and the customer is provided a meaningful opportunity to opt in to the Rule 5320 protections with respect to all or any portion of its order.

To all institutional accounts and persons placing orders for 10,000 shares or more not otherwise subject to the protections afforded by Rule 5320, this document hereby constitutes notice. You may “opt in” to the Rule 5320 protections by providing written notice to your NBCFI registered representative.

## **Equity/Global Equity Derivatives Disclosures**

NBCFI may execute orders in the pre-market or post-market trading sessions. Customers should understand that extended-hours trading involve material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads, and other risks. The absence of an updated underlying index value or intraday indicative value presents trading risks for trading derivative securities products in extended hours.

Trade authentication is a key component of effective market, operational, legal, and reputational risk management. To ensure the prudent management of these risks, each market participant must be responsible for its staff’s adherence to internal guidelines and authorization restrictions.

With respect to NMS stocks, as defined in Rule 600 of SEC Regulation NMS, NBCFI generally sends orders for NMS stocks to other market centers on an agency basis.

### **Indications of Interest**

If you provide NBCFI with an order to “work”, NBCFI may handle the order by issuing an Indication of Interest (“IOI”) to another market participant or trading venue. An IOI is an expression of trading interest that contains one or more (but not all) of the following elements: security name, size, side, capacity, and price. The use of an IOI is intended to solicit contra-side interest in an attempt to minimize market impact. IOIs may be disseminated over electronic trading systems or through direct connections to client order management systems. When publishing IOIs, NBCFI will adhere to guidelines published by the applicable service provider and guidance issued by regulators, including whether or not NBCFI designates an IOI as “natural”. An IOI that we disseminate on your behalf cannot exceed the size of the order you have submitted to us. If you indicate that the size of your interest may grow, the NBCFI trader handling the order may include this instruction in the appropriate field of the IOI.

### **Held and Not Held Orders**

The purpose of this disclosure is to confirm our mutual understanding of the manner in which NBCFI will handle orders in equity securities for its institutional customers and broker-dealer counterparties.

Unless stated otherwise or there are specific order instructions, terms or conditions to the contrary, it is NBCFI’s understanding that all orders it receives will be deemed handled and executed on a “Not Held” basis, and NBCFI will work such order accordingly.

A Not Held order provides NBCFI with the discretion and flexibility to exercise its brokerage judgment regarding the price and/or time at which a trade is to be executed in order to seek the best execution of your order under the circumstances. Please be advised that according to FINRA rules a Not Held order is not considered a priced order. When you place a Not Held order with us and leave the price and time of execution to our discretion, we may trade in the security for our own account prior to completion of your order and at the same or better price than you receive.

“Held” orders do not permit discretion in the handling of your order. In addition, should your firm enter a market or limit order, such a Held order obligates NBCFI to execute the market order immediately at the then prevailing market price or the limit order at your limit price (or better), which may not be the best price that can ultimately be obtained. Should you have any questions or wish NBCFI to treat your orders other than as Not Held, please contact your sales representative.



## **Reg NMS – National Market System**

Regulation NMS requires broker-dealers facilitating a block of stock in a NMS security for a customer to route simultaneously with the execution of the customer order an intermarket sweep order(s) (“ISO”) to execute against the fully displayed size of any protected quotation with a price superior to the block trade price.

## **Regulation NMS - Rule 606 - Equity Order Routing**

NBCFI will route equity orders taking into consideration among other factors, the quality and speed of execution, as well as the credits, cash or other payments it may receive from any exchange, broker-dealer, or market center. This may not be true if a customer has directed or placed limits on any orders. Whenever possible, NBCFI will route orders in an attempt to obtain executions at prices equal or superior to the nationally displayed bid or offer. NBCFI will also attempt to obtain the best execution regardless of any compensation it may receive. NBCFI uses the compensation received to help keep costs competitive and provide customers with quality execution services. The nature and sources of credits and payments NBCFI receives in connection with specific orders will be furnished to a client upon request.

## **Reg SHO – Failure-To-Deliver Securities Sold Long**

When you enter an order to sell a security “long”, you represent to us that you own the securities being sold without restriction and that you will deliver them to us by the settlement date. Failure to deliver the securities by the settlement date may result in the cancellation of the sale transaction or the purchase of like securities for your account as necessary to complete the sale transaction. If such a purchase is made, you may not be given notice of the purchase and you assume any transaction risk associated with the purchase.

## **Reg SHO – Failure-To-Deliver Securities Sold Short**

In the event that you enter an order with NBCFI to sell securities “short” for your account and you do not deliver them to us by the settlement date, your sale transaction will be marked as a “fail-to-deliver” position. While NBCFI will make its best effort to minimize the impact of any fail-to-deliver trade status, in compliance with applicable exchange and SRO regulations we may be required to purchase securities from another source to cover your position should you be unable to deliver the securities in time for settlement. In compliance with the terms of the rule, any fail to deliver position must be closed out by the opening of trading on T+3 for short sales and T +5 for long sales. While NBCFI will use its best efforts to minimize the impact of any fails, we may be required to purchase shares from another source to cover your position should you not deliver the necessary shares by settlement. If we must affect a buy-in of the securities that were not timely delivered, you will be responsible for all losses and costs of the buy-in. By placing an order to sell a security you agree to be responsible for any cost or loss NBCFI may incur in obtaining the securities. This includes costs associated with borrowed stock that is “easy to borrow” and later determined “hard to borrow” as determined by our Stock Loan Department. You appoint us, as agent to complete all such transactions and authorize us to make advances and expend monies as are required. With respect to short positions maintained by you over a corporate action record date, we will, on the relevant payment date for such corporate action, if any, charge your account for money or property equal in value to the cost of such corporate action attributable to your short position, including the costs of any lost tax benefits for the lenders.

You acknowledge that NBCFI may source a borrow of securities from its affiliate's own proprietary accounts or from other customers.

You are ultimately responsible for the delivery of securities on the settlement date, the consequences of a failure to deliver and the timely return of securities borrowed on your behalf and all costs associated with such borrowings, including costs relating to any corporate actions.

## **FINRA Rule 5131 - Prohibition of Market Buy Orders in New Issue Securities**

NBCFI does not accept or execute held market orders to purchase shares of an initial public offering until secondary trading in such security has commenced. Limit orders and not held orders are accepted and executed regardless of whether secondary trading has commenced.

## **Reg M Rule 105**

Reg M Rule 105 states it shall be unlawful for a client to sell short the security that is the subject of the offering and purchase the offered securities from NBCFI when our Firm is participating in the offering if such short sale was effected during the period (“Rule 105 restricted period”) that is the shorter of the period:

- beginning five business days before the pricing of the offered securities and ending with such pricing; or
- beginning with the initial filing of such registration statement and ending with the pricing. There are three exceptions to the prohibitions detailed in Reg M Rule 105:

1. It shall not be prohibited for such person to purchase the offered securities as provided above if such person makes a bona fide purchase(s) of the subject security:
  - At least equivalent in quantity to the entire amount of the Rule 105 restricted period short sale(s);
  - Effected during regular trading hours;
  - Reported to an "effective transaction reporting plan" (as defined in § 242.600(b)(22));
  - Effected after the last Rule 105 restricted period short sale, and no later than the business day prior to the day of pricing; and
  - Such person did not effect a short sale, that is reported to an effective transaction reporting plan, within the 30 minutes prior to the close of regular trading hours on the business day prior to the day of pricing.

In addition to the bona-fide purchase resolution to short sales during the restricted period, there are two other means to comply with the prohibitions of Reg M Rule 105:

2. Separate Accounts Exception: A short sale in a separate account shall not prohibit the purchase of the offered security in an account of a person provided such person sold short during the Rule 105 restricted period in a separate account where decisions regarding securities transactions for each account are made separately and without coordination of trading or cooperation among or between the accounts.
3. Investment companies: A short sale in the subject security shall not prohibit an investment company (as defined by Section 3 of the Investment Company Act) that is registered under Section 8 of the Investment Company Act, or a series of such company (investment company) from purchasing an offered security where any of the following sold the offered security short during the Rule 105 restricted period:
  - An affiliated investment company, or any series of such a company; or
  - A separate series of the investment company.

### **Payment for Order Flow (Equity)**

Pursuant to SEC Rule 607, we are required to inform our customers at the time an account is opened and on an annual basis thereafter as to whether or not (1) NBCFI is engaged in any "Payment for Order Flow" arrangements, and (2) whether NBCFI has a policy with respect thereto. Although NBCFI has no policy against engaging in Payment for Order Flow arrangements, **NBCFI is currently not engaged in any Payment for Order Flow arrangements.**

For your information, Payment for Order Flow is defined by the SEC as "any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders by such broker or dealer to any broker or dealer, national securities exchange, registered securities association, or exchange member for execution, including but not limited to: research, clearance, custody, products or services, reciprocal agreements for the provision of order flow; adjustments of a broker or dealer's unfavorable trading errors; offers to participate as underwriter in public offerings; stock loans or shared interest accrued thereon; discounts, rebates, or any other reductions of or credits against any fee to, or expense or other financial obligation of, the broker or dealer routing a customer order that exceeds the fee, expense or financial obligation."

### **Disclosure of Order Routing Information**

NBCFI will, at your request, inform you of the venue(s) to which your orders were routed for execution in the six months prior to your request, and the time of the transactions, if any, that resulted from such orders.

### **Market Commentary**

When providing market commentary to our institutional clients, NBCFI is not acting in the capacity of advisor and has the expectation that you are a sophisticated investor capable of making your own investment decisions without reliance on suggestions or information that we may provide.

### Third-Party Research - Rule 15a-6

NBCFI does not produce material that would be considered research as defined in FINRA Rules 2241 or 2242, nor does the Firm employ research analysts whose primary responsibility is to produce research. NBCFI is, however, a distributor of third-party research. The research distributed by NBCFI is produced by its Canadian affiliate NBF Inc. and is considered third-party research as defined by FINRA Rules 2241 and FINRA Rule 2242. NBCFI operates pursuant to SEC Rule 15a-6 requirements when a non-U.S. registered representative interacts with U.S. clients for the distribution of research.

### Fixed Income Disclosures

#### Rule 144A Securities

For any Rule 144A securities that NBCFI transacts with you, you agree that:

1. in the case of securities offered to you in reliance on Rule 144A under the Securities Act of 1933, you will be a Qualified Institutional Buyer and will obtain access to the issuer's Rule 144A(d)(4) information either directly from the issuer or from the issuer's designated informational web site;
2. you will comply with all conditions for obtaining access to the issuer's or borrower's information, including (if applicable) any non-disclosure agreement and any agreement that such information is being obtained solely for the purpose of considering a purchase of the securities; and
3. if you are unable to agree to any of the foregoing, you will not purchase the securities from NBCFI.

#### Indicative Prices

As a service to our customers, the Firm may provide you with indicative month-end prices on bonds that we trade with you. Please note that such prices: represent the good faith estimate at the time the indicative valuation is determined; should not be your primary basis for determining the value of any security; and should only be used by you in conjunction with information obtained from other sources including other pricing estimates and indicative valuations. To request indicative bond pricing, please submit your request directly to your Registered Representative.

#### Time Deposit Disclosure

You understand that NBCFI, from time to time, will act as an arranger in connection with time deposit transactions (each, a "Transaction") between you and a time deposit counterparty (together, the "Parties" and each, a "Party"). All aspects of any Transaction will be determined and agreed solely between the Parties and compliance with the terms thereof is strictly each Party's obligation.

NBCFI and its affiliates shall not have any liability to any person (including the Parties) arising from any dispute with respect to any Transaction, including, but not limited to, if either Party is unwilling or unable to enter into any Transaction, or if any Transaction is not settled for any other reason. NBCFI has not provided any investment, tax or legal advice to any party with respect to any Transaction and makes no representations or warranties to the Parties in connection with any Transaction. You acknowledge and agree you will make your own independent decisions to enter into any Transaction and as to whether the entry into such Transaction is appropriate or proper for it based upon your own judgment and upon advice from such advisers as you have deemed necessary and will not rely on any communications or statements made by NBCFI in connection therewith.

### Payment for Order Flow (Fixed Income)

Pursuant to SEC Rule 607, we are required to inform our customers at the time an account is opened and on an annual basis thereafter as to whether or not (1) NBCFI is engaged in any "Payment for Order Flow" arrangements, and (2) whether NBCFI has a policy with respect thereto. Although NBCFI has no policy against engaging in Payment for Order Flow arrangements, **NBCFI is currently not engaged in any Payment for Order Flow arrangements.**

For your information, Payment for Order Flow is defined by the SEC as "any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker or dealer from any broker or dealer, national securities exchange, registered securities association, or exchange member in return for the routing of customer orders by such broker or dealer to any broker or dealer, national securities exchange, registered securities association, or exchange member for execution, including but not limited to: research, clearance, custody, products or services, reciprocal agreements for the provision of order flow; adjustments of a broker or dealer's unfavorable trading errors; offers to participate as underwriter in public offerings; stock

loans or shared interest accrued thereon; discounts, rebates, or any other reductions of or credits against any fee to, or expense or other financial obligation of, the broker or dealer routing a customer order that exceeds the fee, expense or financial obligation."

### **Fixed Income Debt Research**

To all recipients of this communication, NBCFI will treat you as an institutional investor for receipt of our debt research. In the event you do not want to be afforded institutional investor status, please notify the Compliance Department at 212-546-7703.

### **Disclosure of Order Routing Information**

NBCFI will, at your request, inform you of the venue(s) to which your orders were routed for execution in the six months prior to your request, and the time of the transactions, if any, that resulted from such orders.

### **Municipal Disclosures**

NBCFI is also registered with the Municipal Securities Rulemaking Board (MSRB). MSRB's website is [www.msrb.org](http://www.msrb.org). There is a brochure available on the MSRB website that describes the protections available under MSRB rules and how to file a complaint with an appropriate regulatory authority.

### **Notes for MiFID –Impacted Customers**

NBCFI is a US broker-dealer and not subject to MiFID II regulation. However, we note the following items to assist our customers who are impacted by this European Union regulation:

1. NBCFI's **LEI** is: 549300K66TF1ST7A3V76
2. Any other MiFID – related inquiries should be directed to [FI-Research@nbc.ca](mailto:FI-Research@nbc.ca)

### **Fails Charge Trading Practice for Treasury Securities**

NBCFI has adopted the Fails Charge Trading Practice for Treasuries (found at [http://www.sifma.org/capital\\_markets/docs/Fails-Charge-Trading-Practice.pdf](http://www.sifma.org/capital_markets/docs/Fails-Charge-Trading-Practice.pdf).) for all delivery versus-payment or delivery-versus-transfer transaction in U.S. Treasury securities. NBCFI will use the procedures recommended by the Treasury Market Practices Group unless we and you agree on individual procedures for specified transactions.

By entering into any such transaction with NBCFI in U.S. Treasury securities you agree to the use of the Fails Charge Trading Practice unless we and you explicitly agree otherwise with respect to a specific transaction. Similarly, we agree that the transactions will be subject to the Fails Charge Trading Practice, unless we and you explicitly agree otherwise.

**If you have any questions or comments, please contact NBCFI at (212) 632-8500.**