



## **SPONSORED ACCESS IN THE BIDS ATS – OVERVIEW**

The BIDS ATS operates through a sponsored access model, meaning that BIDS users are not customers of BIDS Trading, as is commonly understood in the industry and under applicable SEC and FINRA rules. Sponsored Users access the BIDS ATS via a Sponsoring Broker.

Sponsoring Brokers may provide a User with access to the BIDS ATS, permitting a Sponsored User to send orders directly to the BIDS ATS using a Sponsor's mnemonic. The Sponsor is responsible for their Sponsored User's activity in the BIDS ATS. Sponsored Users will not pay BIDS Trading for trading in the BIDS ATS rather, they pay commissions directly to one or more sponsoring brokers that they select and who have approved the Sponsored User's access to the BIDS ATS.

Prior to going live on the BIDS ATS, BIDS will ask Sponsored Users to designate those brokers they wish to have act as sponsors for their activity in the BIDS ATS. Those designated brokers will then contact the Sponsored User to discuss commission rates, set risk and credit limits and alerts and other specifics regarding activity in BIDS. Until a designated broker informs BIDS that a Sponsored User has been approved to trade in the BIDS ATS under its sponsorship, orders placed in the BIDS ATS using that sponsor's mnemonic will not be accepted. In the trade process, an approved Sponsoring Broker is designated on the order prior to execution.

### **ECONOMICS**

Because Sponsors clear and settle Sponsored User's trades, Users will only see the designated Sponsoring Broker on their commission run – BIDS Trading does not act as the broker in this capacity and will not be identified on a commission run. Sponsors negotiate commission rates directly with Sponsored Users based on their unique relationship and the goods and services provided. Sponsors pay BIDS a rate per share for their Sponsored Users' trading activity monthly and BIDS pays the applicable OMS/EMS and connectivity fees.

### **PROCESS**

BIDS Trading is required to provide certain information on Sponsored trades to the designated Sponsoring Broker for operational and regulatory purposes, including clearance and settlement, CAT filings, and risk management. The information includes any order information where the Sponsor has risk on the Sponsored User's activity, i.e., any CAT reportable events, which includes firm-ups as well as executions. Some Sponsoring Brokers elect to receive real-time execution reports, and others elect to receive batch files after the close. BIDS provides multiple options for the delivery of clearing files: Sponsors can receive FIX drop-copies, access a secure FTP file or receive email reports. Additionally, BIDS provides an administration tool to Sponsoring Brokers to manage their risk. The BIDS Admin provides tools which are designed to assist sponsoring broker-dealers in complying with the requirements of SEC Rule 15(c)(3)-5. The rule states that procedures must "assure appropriate surveillance personnel receive immediate post-trade execution reports." BIDS recommends that the Sponsoring Broker only request access for appropriate surveillance/risk personnel, and access is password protected and auditable by BIDS.

### **SUMMARY**

The main purpose of BIDS Sponsored Access program is to allow clients to maintain their important broker/dealer relationships in their search for block liquidity on a neutral platform. Sponsorship allows users to pay commissions for broker dealer goods and services and offers Sponsoring Brokers an enhancement to their product line. BIDS provides Sponsors with the attached "Best Practices" recommendation, but each Sponsoring Broker has their own policies and procedures as to how they manage risk and control information as a part of their overall compliance policies. As such, if the Sponsored User has questions regarding a Sponsors' procedures, they should be directed to the Sponsoring Broker(s).

### **BIDS ATS Sponsored Access – Broker/Dealer Sponsor Best Practices**

BIDS appreciates having your firm as a Sponsor in the BIDS ATS. Sponsorship provides you an extension of your product offerings while maintaining your important client relationships.

BIDS would like to take the opportunity to remind you of some of your responsibilities under the BIDS Subscriber Agreement:

- Your clients often ask about who has access to their information and your clients are very concerned about confidentiality.
- All data and trade information should only be used for compliance, risk management and operations. Data should not be used for any other purpose.
- Access to the BIDS Admin should only be available to appropriate surveillance personnel.
- Access to the BIDS Admin is password protected and auditable.