

July 2017

Dear Valued Subscriber,

We are taking this opportunity to make disclosures regarding certain Securities and Exchange Commission ("SEC") regulations and Self-Regulatory Organization ("SRO") rules and policies of CODA Markets, Inc.

**About CODA Markets, Inc.**

CODA Markets, Inc. (formerly known as PDQ ATS, Inc.) is a U.S. Securities and Exchange Commission registered Broker Dealer and FINRA member that operates an Alternative Trading System ("ATS") as defined under Rule 300(a) of Regulation ATS. CODA Markets, Inc. is wholly owned by PDQ Enterprises, Inc.

**Subscribers**

CODA Markets, Inc. is the sponsor of the CODA Markets Alternative Trading System ("CODA"). Registered broker-dealers and qualified institutions are eligible to become subscribers to CODA Markets. Neither CODA Markets, Inc. nor its affiliate(s) act as principal or trade for its own account within CODA Markets.

CODA has two classes of subscribers:

Liquidity Seekers

Liquidity Seekers are broker dealers and qualified institutional subscribers seeking liquidity discovery and potential price improvement by routing orders to CODA. Liquidity Seekers may access and trade at CODA using a variety of order types, including order types that allow Liquidity Seekers to "provide liquidity".

Liquidity Providers

Liquidity Providers are broker dealers and qualified institutions who respond electronically to liquidity-seeking order flow.

**Order Types and Time-in-Force Values**

Side: CODA Markets accepts Buy, Sell, Sell Short and Sell Short Exempt orders.

Order Types:

Liquidity Seekers

CODA accept Market, Limit, Pegged, Conditional, Managed, and Algorithmic orders. CODA accepts time-in-force values Day, Immediate or Cancel (IOC), Good-until (GTC, GTD, GTX), from its Liquidity Seekers. "Good-until" orders will be handled as day orders and may trade or route away during the regular trading hours but will expire at the end CODA's trading day.

Liquidity Providers

Liquidity Providers may only trade at CODA on an Immediate or Cancel (IOC) basis using Limit or Pegged order types.

### **Manner of Operation of the Alternative Trading System**

The CODA Markets Alternative Trading System ("CODA") identifies and executes orders that can be matched or crossed in an agency capacity via CODA's on-demand order initiated auction matching protocols. To address the varying liquidity needs and diverse workflows of its subscriber base, CODA offers three Auction Types:

**CODA MICRO:** CODA MICRO is CODA's fastest Auction Type. During CODA MICRO a liquidity seeking order is routed to CODA and subjected to a Pause of up to 20 milliseconds or auction order period (start/stop time).

**CODA ONE:** CODA ONE allows for an "up to one second" Pause or auction order entry period (start/stop time).

**CODA BLOCK:** is CODA's on-demand block auction type. A 30-second Pause serves as the approximate time length of the auction and order entry period during which orders are entered by subscribers into a non-displayed auction order book.

Please refer to CODA's Form ATS, specifically Exhibit F, Sections (a), (b) and (c) for additional detail related to access and available services specific to Seekers and Providers. CODA's Form ATS can be found at [www.codamarkets.com](http://www.codamarkets.com).

### **Securities Eligible for Trading**

CODA offers trading in Regulation NMS equity securities only. Securities designated by CODA are eligible for round, mix and odd-lot executions unless determined otherwise. For more information concerning the operations of the ATS, please see CODA's Form ATS at [www.codamarkets.com](http://www.codamarkets.com).

### **Minimum Pricing Increments**

CODA Markets, Inc. only accepts orders priced in increments permissible under Regulation NMS Rule 612 and FINRA Rule 6434. As a result, CODA Markets, Inc. will reject an order in any NMS stock priced in an increment smaller than \$0.01 if the order is priced equal to or greater than \$1.00 per share, as well as, orders in NMS stocks in an increment smaller than \$0.0001 if priced less than \$1.00 per share. However, midpoint executions may occur at sub-penny values. For more details about each order type and unique IOC instructions, please visit our website to view our most recent Form ATS at [www.codamarkets.com](http://www.codamarkets.com).

### **Regulation SHO**

CODA subscribers are responsible for ensuring that all sell orders sent to CODA are properly marked as required by Rule 200 of Regulation SHO. Pursuant to Rule 203(b)(2)(i) of Regulation SHO, registered Broker Dealer subscribers are responsible for complying with the locate requirements of Rule 203(b)(1) of Regulation SHO. CODA Markets, Inc. does not borrow or "locate" securities with respect to subscriber orders.

Subscribers that are not U.S. Broker Dealers are required to provide locate information in the orders sent to CODA. More information concerning this requirement can be found in CODA Markets, Inc. Fix Specifications available upon request.

### **Market Access Rule:**

The SEC Market Access Rule (15c3-5) requires a broker/dealer that provides market access to establish financial risk management and supervisory controls designed to systematically limit financial exposure of the broker/dealer that could arise as a result of market access. Specifically, the rule requires CODA Markets, Inc. to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in aggregate for each subscriber by rejecting orders if such orders

would exceed the applicable thresholds; and prevent the entry of erroneous orders by rejecting orders that exceed appropriate price or size parameters on an order by order basis. In order to establish appropriate limits for our subscribers and to be in compliance with the rule, we may periodically request that your firm provide additional information, including but not limited to an updated focus report or other comparable financial document.

**Reg NMS Rule 605 – Best Execution**

SEC Rule 605 requires market centers that trade National Market Security System securities to make available to the public monthly electronic reports that include uniform statistical measures of execution quality. CODA Markets, Inc. statistics are posted by IHS Markit, an independent service provider. While CODA Markets, Inc. seeks to ensure the accuracy of the data prepared by IHS Markit, it does not represent or warrant that such data is accurate. These reports are available for download via the CODA Markets, Inc. website at [www.codamarkets.com](http://www.codamarkets.com).

**Reg Rule 606 – Order Routing**

SEC Rule 606 provides all customers the opportunity to receive specific order routing information for their transactions. Upon request from a customer subscriber, CODA Markets, Inc. will provide the identity of the venue to which each of the customer's orders were routed for execution during the six months prior to the request. If you wish to receive this information, please contact us at (224) 521-2709. SEC Rule 606 also requires broker-dealers, including CODA Markets, Inc., to provide information on a quarterly basis concerning order routing practices for securities listed on the NYSE, NASDAQ, AMEX or regional exchanges. Broker-dealers are required to disclose their most frequent order routing destinations and to disclose any material aspects of their relationship with these venues including any payment for order flow arrangements. When CODA Markets, Inc. is required under applicable rules these reports will be made publically available at [www.codamarkets.com](http://www.codamarkets.com).

**Payment for Order Flow Disclosure**

CODA Markets, Inc. routes equity orders to national securities exchanges, alternative trading systems, which may include electronic communications networks, broker dealers and other market centers. CODA Markets, Inc. may receive payment in the form of either a per share payment from market centers, a payment from an Exchange for providing or taking liquidity or in the form of a profit sharing arrangement with executing venues. CODA Markets, Inc. considers these forms of payment to be payment for order flow even though it may not necessarily offset CODA Markets, Inc.'s aggregate payments for removing liquidity. In this regard, in any given month, the 'credits' received by CODA Markets, Inc. from a given market center may exceed the 'debits' charged to CODA Markets, Inc. for such period. Therefore, such excess credits paid to CODA Markets, Inc. may constitute, according to regulatory interpretation, payment for order flow.

**Order Handling**

CODA Markets, Inc. offers numerous order handling and routing strategies for finding liquidity (passive and aggressive) and will create customized execution options with the goal of reducing trading costs for our subscribers. We accomplish this by working with each our Liquidity Seekers, Liquidity Providers as well as the numerous relationships we have established in an effort to provide our subscribers a cost efficient execution at the lowest market impact. CODA Markets, Inc. acts solely in an agency capacity for all executions. In the course of handling your orders we may route to venues including exchanges, market makers and alternative trading systems. Some of these destinations may handle your order on a riskless principle, principal and/or net trading basis. Certain orders may be routed as not held but must be priced at or within the prevailing inside market. Additionally, as a practice, CODA (the ATS) executes orders

during locked market conditions for a particular symbol. Subscribers may opt out of this functionality via written request. CODA (the ATS) does not execute orders during crossed market conditions for any symbol. Each of the customized strategies is developed with the input of the Liquidity Seeker and can be made customizable by time, strategy and cost. Please note that you may request us to bypass specific destinations when routing your orders for execution or block interaction with certain order types or subscribers by contacting us at (224) 521-2709.

#### **Extended Trading Hours Disclosure**

CODA Markets, Inc. will accept orders beginning at 6:00 AM Eastern Time ("ET") but will only execute or "match" orders during normal market hours of 9:30am and 4:00 pm ET. Orders received after the operating hours of the ATS will be routed to execution venues by CODA Markets, Inc. (the "broker dealer") until 4:30 pm ET. Subscribers participating in extended trading hours should be aware of the additional risks associated with trading during extended trading hours including but not limited to the potential for lower liquidity, higher volatility and wider spreads. For more information on extended trading hours and associated risks, please visit our website at [www.codamarkets.com](http://www.codamarkets.com) and follow the Policies link for Extended Hours Trading.

#### **Coda Markets Clearly Erroneous Policy**

A Clearly Erroneous Trade is when there is an obvious error in any term, such as price, number of shares or other unit of trading defined as an execution at a price, for a quantity of shares, or with a symbol, that is substantially inconsistent with the current trading pattern of the issue. A transaction made in clearly erroneous error and cancelled by both parties or determined by CODA Markets, Inc. to be clearly erroneous will be removed from the Consolidated Tape. A subscriber that receives an execution on an order that was submitted erroneously to the CODA for its own or customer account may request that CODA Markets, Inc. review the transaction. An officer of the Firm or such other employee designee shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such request for review shall be made in writing via email or other electronic means.

Requests for review shall be received by CODA Markets, Inc. within thirty (30) minutes of execution time and shall include information concerning the time of the transaction(s), security symbol(s), number of shares, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request following these guidelines, the counterparty to the trade, if any, shall be notified by CODA Markets, Inc. as soon as practicable, but generally within thirty (30) minutes. If requested, each party to the transaction shall provide any supporting written information as may be reasonably requested by CODA Markets, Inc. to aid resolution of the matter within thirty (30) minutes of the request.

More information concerning CODA Markets, Inc. Clearly Erroneous Policy can be found on the Firm's website at [www.codamarkets.com](http://www.codamarkets.com) under the Policies link.

#### **FINRA BrokerCheck**

Pursuant to FINRA Rule 2267, CODA Markets, Inc reminds you of the availability of information from the Financial Industry Regulatory Authority, Inc. (FINRA). Specifically, the Public Disclosure Program from FINRA BrokerCheck is for you to gain convenient access to information about securities firms and their associated personnel. The information provided by BrokerCheck may be requested by calling FINRA's BrokerCheck Hotline Number (800) 289-9999 or by visiting the FINRA website at [www.FINRA.org](http://www.FINRA.org).

**SIPC Notification**

CODA Markets, Inc. is a member of the Securities Investor Protection Corporation ("SIPC"). All subscribers are advised that information about SIPC, including the SIPC brochure, may be obtained by contacting SIPC by phone at (202) 371-8300 or email at [asksipc@sipc.org](mailto:asksipc@sipc.org). For more detailed information, please visit the SIPC website at [www.sipc.org](http://www.sipc.org).

**Business Continuity Plan**

CODA Markets, Inc. has developed a Business Continuity Plan (BCP) that includes the ability to recover from situations including, but not limited to floods, power outages and any facilities failures that may cause business interruptions. Although no contingency plan can eliminate all risk of service interruption, CODA Markets, Inc. assesses and updates its BCP to mitigate reasonable risks. While the specific details of our BCP are proprietary and contain information which is confidential, CODA Markets, Inc.'s policy is to respond to a significant business disruption by safeguarding employee lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting the Firm's books and records, and allowing CODA subscribers to continue to transact business. For more information concerning CODA Markets, Inc. Business Continuity Plan, please visit our site at [www.codamarkets.com](http://www.codamarkets.com).

**Privacy Notice**

The CODA Markets, Inc. Site does not require you to provide personal, nonpublic information. We only collect personal, nonpublic information that you knowingly and willingly supply to us. Visitors to the CODA Markets, Inc. Website may choose to complete a contact form, which may request information such as name, address, telephone number, e-mail address, etc. Visitors may also use this form to share comments relating to our Web site or our business in general. The information provided through this form will be used either to improve the content of our Web site or to direct a member of our sales department to contact the visitor. None of the information provided in the contact form will be sold or transferred to any third party. We will not share your information with third parties unless required by law. We store your information securely and only for the purpose of providing services you have requested from us or as otherwise described herein.

The Firm may also collect data on the general usage of the CODA Markets, Inc. site. Like most Web sites, the site maintains logs that when analyzed show IP addresses of our visitors, date and time and pages viewed. These reports do not contain personally identifiable information. Cookies are also used in our site. Cookies are small text files that are placed in a site visitor's computer that contain no personal information about the visitor, but enable us to determine whether the site visitor has viewed the site previously. If you have any questions about our Privacy Notice, please contact us at [privacyinquiries@codamarkets.com](mailto:privacyinquiries@codamarkets.com).

**For More Information**

If you have questions about any of the information provided above, please contact us at [codaopsdesk@codamarkets.com](mailto:codaopsdesk@codamarkets.com).