



May 2024

Dear Valued Subscriber,

We are taking this opportunity to provide disclosures regarding certain U.S. Securities and Exchange Commission (“SEC”) regulations and Financial Industry Regulatory Authority, Inc. (“FINRA”) rules applicable to, and certain policies of, CODA Markets, Inc. (“CODA Markets”).

### **About CODA Markets**

CODA Markets is an SEC-registered Broker-Dealer and FINRA member that operates the CODA Markets Alternative Trading System (“CODA”), an Alternative Trading System as defined under SEC Regulation ATS Rule 300(a). CODA Markets is wholly owned by ACS Global Holdings, LLC. ACS Global Holdings also wholly owns ACS Execution Services, LLC (“ACS”) and Comhar Capital Markets, LLC (“Comhar”). ACS is an SEC-registered Broker-Dealer and FINRA member that provides algorithmic execution of Reg NMS securities on either an agency or net-trade basis. Comhar is an SEC-registered Broker-Dealer and FINRA member and is a registered BZX market-maker in Reg NMS securities, trading exclusively on a principal basis.

### **Subscribers**

SEC-registered Broker-Dealers and qualified institutions are eligible to become subscribers to CODA. CODA Markets does not act as principal or trade for its own account within CODA.

CODA Markets’ affiliates ACS and Comhar may send order flow to CODA, act as principal, and trade for their own accounts within CODA. CODA may also route orders to both ACS and Comhar in an effort to obtain executions for subscribers’ orders.

CODA has two non-exclusive classes of subscribers:

#### Liquidity Seekers

Liquidity Seekers are SEC-registered 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 SEC-registered Broker-Dealers and qualified institutional subscribers who respond electronically to liquidity-seeking order flow.

These subscriber classes are non-exclusive: subscribers to Coda may be Liquidity Seekers, Liquidity Providers, or both.

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

CODA accepts various order types from each class of subscribers:

#### Liquidity Seekers

CODA accepts various order types from its Liquidity Seekers, including (but not limited to) Market, Limit, Pegged, Conditional, and Managed orders. CODA also accepts from its Liquidity Seekers orders with

various time-in-force values, including (but not limited to) Day, Immediate or Cancel (IOC), Good-'til-Cancelled (GTC), Good-'til-Date (GTD), and Good-'til-Crossed (GTX). Good-'til-Cancelled orders will be handled as day orders and may trade or route away during the regular trading hours but will expire either upon cancellation or at the end of 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. In CODA FUSE, Liquidity Providers can express their CODA FUSE trading interests through "Inbound IOIs" which are non-executable messages that rest at CODA similar to Conditional Interests. These Inbound IOIs are invited to "firm up" with an order when CODA FUSE identifies a trade opportunity.

For each type of Subscriber, CODA accepts buy, sell, sell short and sell short exempt orders. For additional information on order types, please request the most recent version of the Firm's Fix Specifications Documents.

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

CODA receives and executes orders that can be matched or crossed in an agency capacity via CODA's on-demand order-initiated auction matching protocols. CODA offers three Auction Types:

#### **CODA MICRO**

During a CODA MICRO on-demand auction a liquidity seeking order is routed to CODA and subjected to a pause period of approximately 1 millisecond (default), or as determined and specified by the Liquidity Seeker up to approximately 30 milliseconds. Executions are one-to-one and must be at or inside the National Best Bid and Offer ("NBBO").

#### **CODA BLOCK**

During a CODA BLOCK on-demand auction orders are entered by subscribers into a non-displayed auction order book which creates a 30-second auction and order entry period. Multilateral executions are possible, and they are not bound by the NBBO.

#### **CODA FUSE**

During a CODA FUSE auction there is a dynamic latency period which can potentially execute in just under 1 millisecond but is capped at approximately 30 milliseconds. Conditional interests may remove liquidity, multilateral executions are possible, and price discovery outside the NBBO may occur.

Please refer to CODA's Form ATS-N, for additional details related to access and available services specific to Seekers and Providers. CODA's Form ATS-N can be found at [www.codamarkets.com](http://www.codamarkets.com) or <https://www.sec.gov/divisions/marketreg/form-ats-n-filings.htm#ats-n>.

To comply with Rule 611 of Regulation NMS, if the auction trade price is outside the NBBO, CODA will route ISOs to access the liquidity deemed as protected markets "top of book" according to CODA's "protected market" snapshot. More information can be found at: <https://www.pdqenterprises.com/fuse-iso-chronology/>

### **Request for Trades/Auction Alerts**

In connection with all of its on-demand order-initiated auction types, CODA MICRO, CODA BLOCK, and CODA FUSE, CODA distributes Request-for-Trades ("RFT" or "Auction Alert") messages, which are an IOI messaging type, to Liquidity Providers to attract liquidity that may interact with the initiating order. To minimize information leakage and protect the initiating Seeker's order, the information included

in RFT/Auction Alerts sent is limited to the ticker symbol (no side, no size, no price) from the initiating orders, unless otherwise requested by the Liquidity Seeker. Additional ancillary information will typically be included in the RFT/Auction Alert including a commission amount to be assessed if a trade occurs, midpoint pegging instructions (not supported in CODA BLOCK), the Auction type, duration, and matching engine logic for the corresponding auction. For further details concerning RFT/Auction Alerts, please refer to CODA's Form ATS-N available at [www.codamarkets.com](http://www.codamarkets.com) or <https://www.sec.gov/divisions/marketreg/form-ats-n-filings.htm#ats-n>.

### **Conditional Interests**

CODA offers conditional interests' functionality in each on-demand auction facility it operates, CODA MICRO, CODA BLOCK, and CODA FUSE. Conditional interests do not initiate an auction in CODA BLOCK or CODA MICRO but may remove liquidity from the CODA Book in CODA FUSE. A Conditional interest sent to CODA is invited to firm up when CODA receives an executable contra side liquidity-seeking order (except in CODA BLOCK auctions). A Conditional interest must be replaced with a firm (Market, Limit or Pegged) order prior to execution. The process of replacing Conditional interests with firm orders, known as a "firm up," introduces latency to the execution process. As such, Conditional interests may not be eligible to interact with some liquidity-seeking order flow. During the matching process for CODA MICRO and CODA FUSE (but not for CODA BLOCK), Managed Orders that are firm orders are given priority over Conditional interests if their prices are equal. Detailed information regarding use of Conditional interests in CODA's auctions can be found in CODA's Form ATS-N available at [www.codamarkets.com](http://www.codamarkets.com) or <https://www.sec.gov/divisions/marketreg/form-ats-n-filings.htm#ats-n> and in our Conditional Interest Addendum to the CODA Liquidity Seeker Guide – FIX Specification.

### **Inbound IOIs**

CODA FUSE accepts and handles Liquidity Provider conditional liquidity as "Inbound IOIs" which allow them to express their CODA FUSE trading interests through non-executable messages that rest at CODA. Similar to Conditional Interests, Inbound IOIs are invited to "firm up" their Inbound IOI with an order when CODA FUSE identifies a trade opportunity that includes the liquidity represented by the Inbound IOI. Unlike Conditional Interests, Inbound IOIs do not attempt to remove liquidity via CODA FUSE upon receipt, they only respond to invites. Inbound IOIs are not included in CODA MICRO and CODA BLOCK auctions.

### **Securities Eligible for Trading**

CODA offers trading in Regulation NMS equity securities only. Securities designated by CODA are eligible for round-lot, mixed-lot, and odd-lot executions unless determined otherwise. For more information concerning the operations of CODA, please see CODA's Form ATS-N available at [www.codamarkets.com](http://www.codamarkets.com) or <https://www.sec.gov/divisions/marketreg/form-ats-n-filings.htm#ats-n>.

### **Minimum Pricing Increments**

CODA only accepts orders priced in increments permissible under Regulation NMS Rule 612 and FINRA Rule 6434. As a result, CODA will reject any order in any NMS stock priced at an increment smaller than \$0.01 if the order is priced equal to or greater than \$1.00 per share, as well as any order in any NMS stock at an increment smaller than \$0.0001 if the order is priced less than \$1.00 per share. Nonetheless, midpoint executions may occur at sub-penny values. For more details about pricing increments, please see CODA's Form ATS-N available at [www.codamarkets.com](http://www.codamarkets.com) or <https://www.sec.gov/divisions/marketreg/form-ats-n-filings.htm#ats-n>.

### **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, SEC-

registered Broker-Dealer subscribers are responsible for complying with the locate requirements of Rule 203(b)(1) of Regulation SHO. CODA Markets does not borrow or “locate” securities on behalf of subscribers or in connection with seeking liquidity for subscriber orders. By sending a short sale order to CODA, you are affirming your ability to borrow, or you are relying on an exception to the Regulation SHO locate requirement. Orders marked “Y” (Client does not affirm ability to borrow) will be rejected.

Subscribers that are not SEC-registered Broker Dealers are required to provide locate information in orders sent to CODA. For more information concerning this requirement, please contact your CODA representative.

### **Trading Risk Controls**

As a market center, CODA employs policies, procedures, and controls in order to systematically limit financial, operational, market, regulatory and legal risks that could arise as a result of market access. Specifically, CODA will reject, on an order-by-order basis, orders that exceed or appear to exceed applicable limits and thresholds, including but not limited to, thresholds related to the price, size and or frequency of orders. In order to establish appropriate limits and thresholds, we may periodically request that our subscribers provide additional information, including but not limited to current FOCUS reports or other comparable financial documents.

### **Reg NMS, Rule 605 – Disclosure of Order Execution Information**

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. Current CODA Markets statistics are prepared and posted by independent services provider S3, while statistics prior to S3 are posted by independent services provider The Karn Group. These reports are available for download at [www.codamarkets.com](http://www.codamarkets.com).

### **Reg NMS, Rule 606 – Disclosure of Order Routing Information**

SEC Rule 606 requires Broker-Dealers to provide all non-broker-dealers with the opportunity to receive specific order routing information for their transactions. Though not applicable, upon request from a subscriber, CODA Markets will provide information identifying the venue(s) to which the subscriber’s order(s) 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 to provide information on a quarterly basis concerning order routing practices for exchange-listed securities. Broker-Dealers are required to disclose their most frequent order routing destinations and any material aspects of their relationship with these venues, including any payment for order flow arrangements. When we are required to make such disclosures under applicable rules, these reports will be made publicly available at [www.codamarkets.com](http://www.codamarkets.com).

### **Order Handling**

CODA Markets offers Liquidity Seekers numerous order handling and routing strategies for finding liquidity (passive and aggressive) in the marketplace. Each of the strategies may be customized with the input of the Liquidity Seeker based on criteria such as time, strategy, and cost. Subscribers can select execution strategy options designed by CODA based on their input regarding their execution goals, such as the goals of obtaining an increased fill rate, reducing trading costs, or minimizing market impact, among other possible priorities. Additionally, Liquidity Seekers can elect not to have their orders routed to a specified destination via written request to [codaopsdesk@codamarkets.com](mailto:codaopsdesk@codamarkets.com).

All orders received by CODA Markets from Liquidity Seekers are routed to and received by CODA; however, not all orders will be the subject of an on-demand auction prior to being routed externally for liquidity. For instance, orders deemed ineligible to trade in CODA will be routed externally without being

the subject of an on-demand auction. In addition, certain strategies may be configured based on the goal of the strategy (and at CODA's discretion or at the request of the subscriber) to route to one or more external destinations to seek liquidity before the balance of the order is given the opportunity to seek liquidity via one or more of the CODA Markets on-demand auctions.

At the direction of the subscriber, CODA will, depending on several factors, route an order to source additional liquidity in an effort to achieve best execution in the prevailing marketplace. Examples of those factors include, but are not limited to: (i) the character of the market for the security (e.g., price, volatility, and relative liquidity); (ii) the size of the order and type of transaction; (iii) the terms and conditions of the order as communicated by the subscriber; (iv) the opportunity to obtain price improvement, (iv) the opportunity to execute a larger percentage of the order size than displayed in the market, and (v) to avoid potentially adverse market moves due to the size and price of the order. CODA will balance these factors in making its routing decisions based on the subscriber's choice of routing strategy. Subscribers are reminded your choice of routing strategy may impact execution quality by prioritizing some measures of quality, including reduced transaction costs, over others, such as price improvement and these considerations should be made known to your customers and taken into account when making routing strategies available to them.

Additionally, as a practice, CODA executes orders during locked market conditions for a particular symbol. Subscribers may opt out of this functionality via written request. CODA does not execute orders during crossed market conditions for any symbol.

#### **Payment for Order Flow Disclosure**

In addition to operating the on-demand auction platforms described above, CODA Markets routes subscribers' Regulation NMS equity orders externally to seek liquidity from external venues, including national securities exchanges, alternative trading systems (which may include electronic communications networks, among others), market centers, and other broker-dealers (which may include CODA Markets affiliated broker-dealers, ACS and Comhar, as well as other market makers and net trading firms, among others<sup>1</sup>). CODA Markets receives payment from these venues, including but not limited to a per-share payment from market centers, a payment from an Exchange for providing or taking liquidity, or through commission-sharing arrangements with other Broker-Dealers. CODA Markets considers these forms of payment to be payment for order flow. These arrangements give CODA Markets a financial incentive to route orders to venues that provide CODA Markets with such payments for order flow. Subject to your particular routing instructions and CODA Markets' best execution obligations, CODA Markets will take these incentives into account when considering where to route your orders.

#### **Riskless Principal, Principal and Net Trading**

CODA Markets executes all orders solely in an agency capacity. CODA does not make markets or trade proprietarily. As described above, while handling your order, we may route to external venues that include exchanges, alternative trading systems, market centers, and broker-dealers, among other possible venues including, but not limited to its affiliates ACS and Comhar. We will route certain orders to external venues on a not held basis in an attempt to obtain the best execution possible in light of market conditions and the subscriber's priorities.

The venues to which we route subscriber orders will execute those orders as riskless principal, principal, and/or net transactions. A "net" transaction is a principal transaction in which a liquidity provider (typically a Broker-Dealer), after having received an order to buy (sell) an equity security, purchases (sells) the equity security at one price and then sells to (buys from) the customer at a different price. The price

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<sup>1</sup> Net trading firms are entities that trade on a "net basis." See "Riskless Principal, Principal and Net Trading" below for more information on net trading.

difference represents compensation that the net trading firm receives for facilitating the order. CODA does not trade on a “net” basis. However, CODA may route your orders to one or more external venues that will execute on a net basis. The execution price you receive from such executions will be the price received by CODA from the net trade executing venue. Broker-Dealer subscribers who make available routing strategies that include net trading venues are reminded of their disclosure obligations to their customers. If you do not wish to have your orders routed to venues that engage in net trading, please contact us at [codaopsdesk@codamarkets.com](mailto:codaopsdesk@codamarkets.com).

### **Information Handling**

CODA Markets and its service providers’ and affiliates’ personnel may have access to, use and provide counterparties with information on an anonymous and aggregated basis, including but not limited to your orders (i.e., orders executed in full or part, cancelled, or expired), trade and other data and analytics (collectively, “Anonymous and Aggregated Data”). This Anonymous and Aggregated Data may be used for market color reports, analytical tools, transaction analysis, and risk management applications. With respect to non-anonymized counterparty specific information, CODA Markets maintains a “need to know” standard, which provides that access is limited to those employees who have a “need to know” such information to perform their duties and to carry out the purpose for which the information is provided.

### **Extended Trading Hours Disclosure**

CODA will accept orders beginning at 4:00 am Eastern Time (“ET”) but will only execute or “match” orders in the capacity of an ATS during normal market hours of 9:30 am to 4:00 pm ET. Orders received after CODA’s operating hours can be routed to execution venues by CODA until 8:00 pm ET.

For days with shortened market hours, orders can be routed to execution venues up to a ½ hour after the close of session. 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, wider spreads, and interaction with professional traders.

For more information on extended trading hours and associated risks, please visit [www.codamarkets.com](http://www.codamarkets.com) and follow the Policies link for Extended Hours Trading.

### **USA Patriot Act**

To help fight the funding of terrorism and money laundering activities, U.S. law and international best practices require financial institutions such as CODA Markets to obtain, verify and record information that identifies each person/entity, including beneficial owners. You will be asked for appropriate identifying information when you establish your subscriber relationship with CODA, which may include employer identification number, articles of incorporation, a partnership agreement or similar identifying documents. The information you provide will be used to perform a background check and verify your identity using internal sources and third parties.

Additionally, CODA will utilize all tools and reports available to monitor for and identify potentially manipulative or disruptive trading activity and will take any necessary actions or measures to prevent said activity from entering CODA and the marketplace.

### **Customer Identification Program (CIP)**

CODA collects information necessary to verify a Subscribers identity which includes obtaining additional items, such as identification of the beneficial owners of the relationship, control individuals, or individuals given trading authority.

### **Clearly Erroneous Trade 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, which is 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 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 CODA for its own or customer account may request that CODA review the transaction. An officer of CODA Markets 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.

Requests for review shall be received by CODA Markets 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 shall be notified by CODA Markets 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 to aid resolution of the matter within thirty (30) minutes of the request.

More information concerning CODA Clearly Erroneous Trade Policy is available at [www.codamarkets.com](http://www.codamarkets.com) under the Policies link.

#### **FINRA BrokerCheck**

Pursuant to FINRA Rule 2267, CODA Markets reminds you of the availability of information from 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 <https://brokercheck.finra.org/>.

#### **SIPC Notification**

CODA Markets 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 has developed a Business Continuity Plan ("BCP") that includes the ability to recover from emergency or significant business disruption 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 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 Market'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 the CODA Markets Business Continuity Plan, please visit [www.codamarkets.com](http://www.codamarkets.com).

#### **Privacy Notice**

The CODA Markets website does not require you to provide personal, nonpublic information. We may only collect personal, nonpublic information that you knowingly and willingly supply to us. Additionally, we may collect data on the general usage of the CODA Markets site. Like most websites, our 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 on 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).