

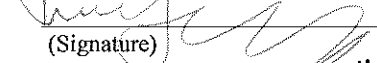


Alternative Trading System Name: BIDS Trading L.P. CRD Number: 141296  
Filing Date: September 11, 2017 SEC Filing Number: 8-67376


EXECUTION: The alternative trading system consents that service of any civil action brought by, or notice of any proceeding before, the SEC or a self-regulatory organization in connection with the alternative trading system's activities may be given by registered or certified mail or confirmed telegram, to the alternative trading system's contact employee at the main address, or mailing address if different, given in Items 1F and 1G. The undersigned, being first duly sworn, deposes and says that he/she has executed this form on behalf of, and with the authority of, said alternative trading system. The undersigned and alternative trading system represent that the information and statements contained herein, including exhibits, schedules, or other documents attached hereto, and other information filed herewith, all of which are made a part hereof, are current, true, and complete.

Date: 09/11/2017  
(MM/DD/YY)

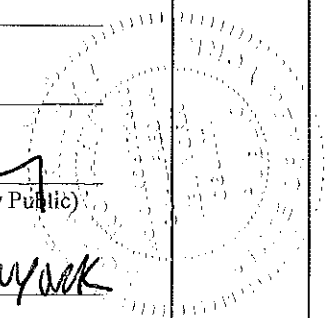
BIDS Trading L.P.  
(Name of applicant)

By:   
(Signature)

Timothy J. Mahoney - CEO  
(Name and Title)

Subscribed and sworn before me this 11<sup>th</sup> day of September 2017 by   
(Month) (Year) (Notary Public)

My Commission expires Aug. 20, 2019 County of NEWYORK State of NEWYORK



*This page must always be completed in full with original, manual signature and notarization.  
Affix notary stamp or seal where applicable.*

**DO NOT WRITE BELOW THIS LINE - FOR OFFICIAL USE ONLY**

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Form ATS Page 2	UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549  INITIAL OPERATION REPORT, AMENDMENT TO INITIAL OPERATION REPORT AND CESSATION OF OPERATIONS REPORT FOR ALTERNATIVE TRADING SYSTEMS	Date filed (MM/DD/YY):  09/11/2017	OFFICIAL USE ONLY
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2. **If this is an initial operation report, the date the alternative trading system expects to commence operation:**  
 Operation is expected to be commenced on or about N/A.
3. **Attach as Exhibit A, a description of classes of subscribers (for example, broker-dealer, institution, or retail). Also describe any differences in access to the services offered by the alternative trading system to different groups or classes of subscribers.**
4. **Attach as Exhibit B:**
  - a. A list of the types of securities the alternative trading system trades (for example, debt, equity, listed, Nasdaq NM) or, if this is an initial operation report, the types of securities it expects to trade. Note whether any types of securities are not registered under Section 12(a) of the Exchange Act of 1934 ("Exchange Act").
  - b. A list of the securities the alternative trading system trades, or if this is an initial operation report, the securities it expects to trade. Note whether any securities are not registered under Section 12(a) of the Exchange Act.
5. **Attach as Exhibit C, the name, address, and telephone number of counsel for the alternative trading system.**
6. **Attach as Exhibit D, a copy of the constitution, articles of incorporation or association, with all amendments, and of the existing by-laws or corresponding rules or instruments, whatever the name, of the alternative trading system. If this information is publicly available on a continuous basis on an Internet site controlled by the alternative trading system, the alternative trading system may indicate the location of the Internet web site where such information may be found in lieu of filing such information with the Commission.**
7. **Attach as Exhibit E, the name of any entity, other than the alternative trading system, that will be involved in operation of the alternative trading system, including the execution, trading, clearing and settling of transactions on behalf of the alternative trading system. Provide a description of the role and responsibilities of each entity.**
8. **Attach as Exhibit F, the following information:**
  - a. The manner of operation of the alternative trading system;
  - b. Procedures governing entry of orders into the alternative trading system;
  - c. The means of access to the alternative trading system
  - d. The procedures governing execution, reporting, clearance and settlement of transactions effected through the alternative trading system;
  - e. Procedures for ensuring subscriber compliance with system guidelines; and
  - f. A copy of the alternative trading system's subscriber manual and any other materials provided to subscribers.

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9. Attach as Exhibit G, a brief description of the alternative trading system's procedures for reviewing system capacity, security and contingency planning procedures.
10. If any other entity, other than the alternative trading system, will hold or safeguard subscriber funds or securities on a regular basis, attach as Exhibit H the name of such entity and a brief description of the controls that will be implemented to ensure the safety of such funds and securities.
11. Attach as Exhibit I, a list providing the full legal name of those direct owners reported on Schedule A of Form BD.

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## **Exhibit A**

**Attach as Exhibit A, a description of classes of subscribers (for example, broker-dealers, institution, or retail). Also describe any differences in access to the services offered by the alternative trading system to different groups or classes of subscribers.**

Subject to an OFAC check and disciplinary history review, any SEC-registered broker-dealer will be eligible to become a subscriber ("Subscriber") of the alternative trading system ("ATS") operated by BIDS Trading L.P. ("BIDS" or the "Firm") upon executing a subscriber agreement with BIDS. Additionally, through "sponsored access arrangements," Subscribers may authorize their institutional customers ("Sponsored Users") to submit orders directly to the BIDS ATS through various third party order management systems or a FIX connection (such Sponsored Users and Subscribers, collectively "Users"). Sponsored Users may be authorized by multiple Subscribers to submit orders directly to the BIDS ATS and, as a result, such Sponsored Users will be required to designate a sponsoring Subscriber for each order submitted to the system. BIDS also will record and maintain all information submitted to the ATS based on the particular trader or employee of a User. Each Subscriber will be responsible for clearance and settlement of trades resulting from orders submitted to the ATS by that Subscriber and its authorized customers. All Users will have access to all services and features offered by the system, although individual users may have a customized method of utilizing the services and features of the BIDS ATS.

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**Exhibit B**

- a. A list of the types of securities the alternative trading system trades (for example, debt, equity, listed, Nasdaq NM), or if this is an initial operation report, the types of securities it expects to trade. Note whether any types of securities are not registered under Section 12(a) of the Exchange Act.**

The BIDS ATS permits trades in any “NMS stocks,” as that term is defined in Rule 600(b)(47) of Regulation NMS under the Exchange Act (“Regulation NMS”) as long as they are enabled on the BIDS ATS trading platform. In an effort avoid classification as a “SCI Entity” BIDS may stop trading certain symbols from time to time.

- b. A list of the securities the alternative trading system trades, or if this is an initial operation report, the securities it expects to trade. Note whether any securities are not registered under Section 12(a) of the Exchange Act.**

A list of the securities that the BIDS ATS trades was included as **Appendix 1** to BIDS Trading’s Initial Operation Report on Form ATS. BIDS updates the list as necessary in its quarterly Form ATS-R amendments.

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**Exhibit C**

**Attach as Exhibit C, the name, address, and telephone number of counsel for the alternative trading system.**

Alan J. Reed  
Legal Consultant  
BIDS Trading L.P.

One Liberty Plaza  
165 Broadway, 23<sup>rd</sup> Floor  
New York, NY 10006  
(212) 618-2086

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**Exhibit D**

**Attach as Exhibit D, a copy of the constitution, articles of incorporation or association, with all amendments, and of the existing by-laws or corresponding rules or instruments, whatever the name, of the alternative trading system. If this information is publicly available on a continuous basis on the Internet site controlled by the alternative trading system, the alternative trading system may indicate the location of the Internet web site where such information may be found in lieu of filing such information with the Commission.**

Copies of the Firm's Certificate of Limited Partnership and Limited Partnership Agreement are attached as **Appendix 2** to BIDS Trading's Initial Operations Report on Form ATS and as **Appendix 2** to BIDS Trading's Amendment to Form ATS dated July 13, 2015.



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#### **Exhibit E**

**Attach as Exhibit E, the name of any entity, other than the alternative trading system, that will be involved in the operation of the alternative trading system, including the execution, trading, clearing, and settling of transactions on behalf of the alternative trading system. Provide a description of the role and responsibilities of each entity.**

*Clearance and Settlement of BIDS Transactions.* BIDS has entered into a clearing agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill”), a FINRA member firm and a member of the National Securities Clearing Corporation, to provide for Merrill’s clearance and settlement of transactions executed on the BIDS ATS. Merrill is a wholly owned subsidiary of Bank of America Corporation.

*Technology Development and Testing.* BIDS has entered into an intercompany agreement with its Canadian affiliate, BIDS Trading Technologies, Ltd., to design, develop, implement, test and support the BIDS ATS software.

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## Exhibit F

Attach as Exhibit F, the following information:

**a. The manner of operation of the alternative trading system:**

The BIDS ATS provides trade execution opportunities in equity securities through automatic order matching services between Users for securities transactions. The BIDS ATS executes trades while maintaining the anonymity of the traders on each side of the transaction.

As described in additional detail below, the BIDS ATS accepts firm orders and non-firm ("conditional") orders from its Users. Only firm orders may be executed on the system; thus, Users submitting conditional orders are required to change such orders to firm orders in order to be eligible to receive an execution on the BIDS ATS. Firm orders may be auto-matched by the ATS. All transactions effected on the BIDS ATS are executed at prices at or between the national best bid and offer ("NBBO"). All calculations of potential trade prices use the NBBO sourced from market data provided directly by exchanges. All executions must occur at prices that are at or between the NBBO provided by the securities information processor ("SIP"), provided that the SIP is available.

A sponsored user also may send orders to the BIDS ATS with instructions that, if such orders are not executed immediately or interacting with other orders on the BIDS ATS, it is to be routed to the external venue (subject to the BIDS ATS having a connection to that venue). See "Routable Orders," below.

The BIDS ATS auto-matches orders during regular market hours (9:30 a.m. ET to 4:00 p.m. ET), but the BIDS ATS accepts orders before the opening of regular market hours.

**b. Procedures governing entry of orders into the alternative trading system:**

Both firm and conditional orders submitted to the system are validated to verify that the User has access rights to the system.

*Minimum Order Attributes.* All orders in the BIDS ATS must have the following minimum attributes: symbol, price (which can either be a (i) limit order, which is a priced order entered into the BIDS ATS; (ii) market order, which is an unpriced order that may be executed within the BIDS ATS at or within the NBBO; (iii) midpoint peg order, which is a priced order that is pegged to the midpoint of the NBBO; (iv) market peg order, which is a priced order pegged to the opposite side of the market, either at the inside quote or with an offset amount to make the resulting price more or less aggressive; or (v) primary peg order, which is a priced order pegged to the same side of the market, either at the inside quote or with an offset amount to make the resulting price more or less aggressive, side (buy, sell or short), size, and sponsoring Subscriber.

*Additional Order Attributes.* Users may set order-by-order or default settings with respect to a variety of other order features including:

- A minimum volume for executions (which may be based on an absolute number of shares or on a percentage of the originally submitted order);
- Identifying the User's account with the sponsoring Subscriber;

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- Good-till-time duration for orders (orders not specified otherwise are assumed to be day orders);
- Execute and Cancel – this is a good-till-time order that will auto cancel after the first fill prior to the GTT expiring order;
- A “fill priority” to govern the order in which auto-matches of firm orders and invitations of conditional orders will occur. Users may select “volume/price/time” or “price/volume/time” fill priorities. In the event multiple counterparties may be matched or engaged in invitations by the system, the fill priority setting of the aggressive order will govern the ordering in which the counterparty orders are considered (invitation or trade)<sup>1</sup>;
- Intra-firm Priority: Firms can denote that priority should be given to contra orders within the same price that are from the same MPID, or MPID group in the case firms have multiple associated MPIDs. If priority has been given, then this is true for both invitations and trades. Within this grouping, additional restrictions can be applied:
  - (i) Orders can be designated to only interact with other orders in the same group
    - a. If orders are restricted to interact only with orders from the same group (point (i) above), then additional restrictions can be added and are as follows:
      - Orders can be denoted to trade only with agency orders within this restricted group; or
      - Orders can be denoted to belong to a sub-grouping within this group and the order can be set not to trade against other orders within the same sub-group.
- “Invite On/Off” allows Users to elect whether their order may “invite” another User to change its conditional order to a firm order. As noted above, conditional orders may not be auto-matched. They enable Users to submit orders simultaneously to multiple liquidity pools without the risk of being executed more than once for the same liquidity. They must be changed to firm orders before auto-matching can take place on the system. The process of changing a conditional order to a firm order is discussed below at *Conditional Orders*.
- “Price Protection” denotes whether a trader submitting an order for auto-matching is willing to accept an execution price that is (i) “at or between” the NBBO; (ii) at the NBBO midpoint or better; or (iii) at the “same side of the NBBO”, up to the limit price on the order (in each case as close to the midpoint of the NBBO as possible). Traders submitting market orders or limit orders may use any of the three price protection modes. Midpoint

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<sup>1</sup> Open orders that are already entered into the BIDS ATS are called “passive” orders. A new order entering the book that is matchable against one or more of those passive orders is called an “aggressive” order. The fill priority is determined by the aggressive order. If the fill priority of the aggressive order is “price-volume-time”, passive orders are matched in sequence according to the best price, and then volume and time (if two or more orders have the same price). If the fill priority of the aggressive order is “volume-price-time”, then the passive orders are matched in sequence according to highest volume, and then price and time (if two or more order have the same volume). In each case, the fill priorities of the passive orders are not taken into consideration.

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peg” orders implicitly have the NBBO price protection set to “midpoint or better.” Market pegged orders and primary pegged orders without an offset amount implicitly have price protection set at “at or between the NBBO” and “same side of NBBO” respectively. Market pegged orders and primary pegged orders with an offset amount implicitly have price protection set at a price inside or outside the opposite or same side of the NBBO.

- “Route Price” for orders sent to the BIDS ATS with instructions that they are to be routed to the external venue if not executed immediately or interact with other orders on the BIDS ATS, the “route price” is the price that will be used when the order is routed to the external venue.
- “Additional Route Attribute” may include route destination, Route Price, minimum volume, or other attribute required by destination.

**c. The means of access to the alternative trading system:**

Users access the BIDS ATS via various third party order management systems or a FIX connection. BIDS also has a proprietary order routing system available to Users as an alternative means of accessing the BIDS ATS.

**d. The procedures governing execution, reporting, clearance, and settlement of transactions effected through the alternative trading system:**

*Firm Orders.* The BIDS ATS offers auto-matching for firm orders.

*Auto-matching.* Firm orders may be auto-matched provided all of the following conditions are met: (i) the prices of two orders permit a cross; (ii) the minimum share amounts associated with two orders overlap; (iii) all other order restrictions are satisfied; and (iv) the system can determine a trade price that satisfies the price conditions of each order. In addition to these conditions, the BIDS ATS will perform an “Auto-match Test” before permitting an auto-match. The Auto-match Test is based on a proprietary algorithm and is designed to ensure that auto-matching only occurs if (1) a market is open for trading of that security<sup>2</sup>; and (2) there is a reasonable and valid NBBO, defined by a predetermined maximum spread (as noted below, auto-matching may occur on the BIDS ATS at prices at or within the NBBO). The Auto-Match test is run for each security traded in the system.

Auto-matched trades are executed at the price closest to the midpoint of the NBBO (providing price improvement to the order with the most aggressive limit price) as long as the appropriate price protection settings of the two orders are not violated.

Following an auto-match, an order that has remaining unexecuted volume that is greater than the order’s minimum volume setting will remain eligible for execution at that remaining volume with the original minimum volume. Otherwise the ATS will set the minimum volume to the unexecuted volume or cancel the order, based on default setting of the User.

*Conditional Orders.* Conditional orders may not be auto-matched. They enable Users to submit orders simultaneously to multiple liquidity pools without the risk of being executed more than once for the same liquidity; they must be changed to firm orders before auto-matching can take place on the system. A conditional order has all of the attributes of a firm order; however, before a conditional order can

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<sup>2</sup> If trading in the security is closed because of a regulatory trading halt, existing orders will be cancelled and new orders will be rejected.

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trade with another order in BIDS, the User submitting the conditional order must change the order status to "firm." The BIDS ATS will invite Users submitting conditional orders to change the status of such orders to "firm" if:

1. A potential counterparty's order has "Invite On" as a status (note that a conditional order can invite another conditional order to change its status to firm);
2. The BIDS ATS determines that an opportunity to trade exists based on trading interest in the system (Price, Intra-firm Priority, Volume, Time, etc.); and
3. The "Scorecard" of each side meets the minimum "Filter" requirements set by the respective counterparty. Scorecards and Filters are explained below in "Scorecards and Filtering."

Users submitting conditional orders satisfying these requirements will receive a message alerting them to the possibility of a potential match and inviting the User to change its conditional order to a firm order. In order to effect a change in the status of the order, the user must delete the conditional order and reenter a firm order. The firm order reentered in the system may have the same or different attributes as the original conditional order (*i.e.*, may be entered at the same or a different price from that of the conditional order).

For example, a firm order that has the "Invite On" feature activated may cause the BIDS ATS to generate a message to a conditional order of the possibility of a match, inviting the User that submitted the conditional order to "firm-up" its order. The User receiving the invitation may either ignore the invitation to firm-up its conditional order, or cancel its conditional order and replace it with a firm order with the same or different attributes. The two firm orders subsequently are auto-matched. Similarly, a conditional order with the "Invite-on" feature activated may cause the system to generate a message to another conditional order about the possibility of a match, inviting that User to firm-up its order. Again, the User receiving the invitation may ignore the invitation or firm-up its order, after which the BIDS ATS will auto-match the two firm orders, if applicable. Where two conditional orders both are set to "Invite On," the Users submitting the orders receive messages to firm-up when the system detects the possibility of a match. Either User may firm-up its conditional order first by canceling and replacing it with a firm order; both Users must do so for an auto-match to occur. Users may change conditional orders to firm orders and vice-versa at their discretion.

*Routable Orders.* Orders directed to the BIDS ATS always interact with the BIDS order matching engine first, unless a User provides a different instruction. The BIDS ATS will accept orders from Users to route orders and information to other venues that are external to BIDS. Depending upon the order instructions, in some instances, BIDS attempts to find a match and execute a routable order inside of the BIDS ATS and, if it cannot be executed or is not executed in full in the BIDS ATS, the order will be routed to the designated external venue. In other instances, BIDS will route the order directly to another venue if the order so instructs the ATS. The BIDS ATS will retain baseline information about the routed order. Order routing instructions stay with an order for the life of the order and are treated in the BIDS ATS like an order condition.

When the order instructions do not specify direct routing to another venue, order routing information will be used when another order is received by the BIDS ATS that could have traded with an order routed to the external venue. When this occurs the BIDS ATS triggers the BIDS Order router to attempt retrieval of the order from the external venue (by sending in a cancel of the order to the external venue). The BIDS ATS then continues with normal matching processing. If the routed order can be retrieved it will be accepted into the matching engine and executed if possible. If the retrieved order does not

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execute in full the BIDS ATS will trigger the BIDS Order router to send the order once again to the external venue.

The BIDS ATS does not accept odd lots. Any orders that have an odd lot remaining after execution will be cancelled back to the User, except that a User additionally utilizing the BIDS Trader™ application may permit odd lot orders to be filled by BIDS at the same price as the User's last round lot execution. The BIDS ATS does not accept multiple routing instructions on the same order.

*Scorecards and Filtering.* The BIDS ATS also uses a Scorecard and Filtering system designed to permit Users to control the counterparties with whom they are willing to interact when placing a conditional order. To reduce the possibility of revealing information to an unknown counterparty that has no real intention to trade on the system, Users are able to use Scorecards and Filtering capabilities to set individually determined parameters that pre-screen potential counterparties based on their previous long-term statistically scored behavior, as well as their recent short-term performance on the BIDS ATS as part of the invitation process. Scorecard information consists of a variety of performance measures including, for example, how often a User has failed to “firm up” a conditional order when invited to do so in response to a potential match. In addition, traders will be able to denote counterparty groups that they wish to interact with from a trading and invitation perspective. Depending on the filter that they supply on the order the counterparty type grouping will or will not be applied. New traders or employees of Users of the system who have not yet established their long-term statistical scores will be assigned notional scores during the initial period after they commence trading. These scores are based on the historic average of the universe of new users in BIDS (and may be adjusted periodically if those universal historic averages change). Scorecard and filtering information are deemed confidential and information specific to one User will not be made available to other Users. The BIDS ATS calculates User scores in real time based on User behavior on a symbol by symbol basis. As a general matter, User behavior in the system with respect to conditional orders will determine whether or not the User will be invited to firm up pre-trade orders in the ATS.

*Clearing and Settlement.* As noted above, BIDS clears and settles all transactions executed on the BIDS ATS through Merrill.

*Reporting of Trades.* BIDS reports all trades executed on the BIDS ATS to a FINRA Trade Reporting Facility (“TRF”). BIDS maintains and reports to FINRA an order audit trail as required by FINRA Order Audit Trail System (“OATS”) rules.

*Reporting under Rule 605.* All orders submitted to BIDS are excluded from the definition of “covered orders” set forth in Rule 600(15) of Regulation NMS because they are submitted with “special handling” requests. As a result, BIDS is not subject to the disclosure requirements of Rule 605 of Regulation NMS.

*Reporting under Rule 606.* Because all orders submitted to BIDS are executed and settled by BIDS with the firm’s broker-dealer subscribers, BIDS does not have customers and does not accept “customer orders,” as defined in Rule 600(18) of Regulation NMS. Further, BIDS does not accept any non-directed orders as defined in Rule 600(48) of Regulation NMS. As a result, BIDS is not subject to the disclosure requirements of Rule 606 of Regulation NMS.

**e. Procedures for ensuring subscriber compliance with system guidelines:**

All Subscribers to the BIDS ATS must sign a subscriber agreement with BIDS, which requires all Subscribers to abide by all applicable rules and regulations. Sponsoring Subscribers, agree to terms of use regarding “sponsored access” to the system that state, among other things, that the User agrees to

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comply with any applicable rules and requirements of the BIDS ATS and with all applicable federal and state securities laws and regulations.

Also, the order entry and order execution functionalities of the BIDS ATS are configured to facilitate compliance with certain rules and regulations. For example, the ATS will not permit Users to enter a symbol that is not authorized for trading on the BIDS ATS; the ATS is programmed to require Users to enter order prices in pennies and does not permit prices to be entered in sub-pennies for orders priced at or above \$1.00 per share; and the ATS requires Users who enter a sell order to designate that order as long, short or short exempt. In addition, activity reports are regularly generated and reviewed to monitor User compliance with applicable rules and regulations.

As a service to Subscribers, the BIDS ATS facilitates the imposition of daily trading limits on the authorized customers of each Subscriber, based on financial and operational information provided to BIDS by the Subscriber's clearing broker. These limits may be monitored and adjusted by the Subscriber in real time. In addition, both Subscribers and other Users may impose such limits internally, on a desk-by-desk basis. In the event that trading limits are violated, BIDS will either notify an identified administrative contact at the Subscriber or User, or reject further trading activities, as requested by the Subscriber or User.

The operation of the BIDS ATS is continuously monitored by the support team (see also Exhibit G) to ensure that the use of new technology releases, the impact of electronic participation by Users in the BIDS ATS, and other similar technological change does not negatively impact the operation of the BIDS ATS. In the event of a problem, BIDS may halt the activity of a User or Users, Symbol or Symbols of the BIDS ATS in order to contain the impact of a problem while pursuing a resolution to ensure the safety and soundness of the equity markets in the United States.

**f. A copy of the alternative trading system's subscriber manual and any other materials provided to subscribers:**

Copies of the following documents are attached hereto:

- The BIDS Trader User Guide – **Appendix 4**
- The BIDS Trading Admin Guide – **Appendix 5**
- The "Welcome Letter" provided to Sponsored Users and the Order Handling Transparency and Trading Disclosure – **Appendix 6**

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## **Exhibit G**

**Attach as Exhibit G, a brief description of the alternative trading system's procedures for reviewing system capacity, security, and contingency planning procedures.**

### **System Capacity**

The BIDS ATS technology infrastructure is sized to support peak transaction demands defined by the BIDS customer base. Inbound and outbound message rates are continuously monitored on a per-second basis; and total, average and maximum message rates, as well as edge-to-edge transaction latency data are reported and logged daily for review by BIDS management. A monthly trend analysis is also done to review and forecast changes in system load. The capacity of the system is tested empirically using system load tools for each major update of the system to determine the maximum capacity of a given system configuration.

In production, system capacity is monitored daily at multiple levels. Monitoring of the use of system resources (CPU, memory, network bandwidth, storage) and database and application server resources is done continuously online, with periodic capture of data gathered to build performance profiles. Application level performance (transaction rates per second, transaction latency, market data rates) is also continuously monitored, and these metrics are included in the stored business data.

Alerts are set in the system monitoring tools, and are triggered when key metrics (CPU utilization, memory utilization, storage I/O activity) are crossed. There are two (2) levels of triggers: an informational level and a warning level. At the informational level, the BIDS staff is alerted to monitor the system more closely. At the warning level, escalation procedures are followed to alert BIDS management. Data is gathered during these periods to determine how long the conditions are sustained, and what resources are utilized.

System resource usage and application level metrics are summarized and reported daily to operations staff, and reported to management on a monthly basis. This data is reviewed and analyzed by management for two purposes. The first is to ensure that BIDS has continued to meet the required service levels to its trading community. The second is to ensure that system resource threshold levels are not exceeded, and to compare against previous activity reports to identify changes or trends in transaction volumes, which may require a re-evaluation of the current system capacity. BIDS follows a heuristic approach taking into account message throughput and latency data collected in production, measurements of production system resource utilization; and trend analysis of this data to determine when the infrastructure must be upgraded. As the BIDS ATS technology is horizontally scalable and is based on commodity processor technology, new hardware capacity can be implemented quickly and with minimal impact or risk.

### **Security**

The data center is located in New Jersey. Physical security of the data centers is built around multiple layers of human and physical security. 24x7x365 manned surveillance and video cameras are used to monitor the exterior and interior of all facilities. Access requires both a physical card key as well as biometric data, and multiple layers of doors need to be passed through to access the computer equipment. A log of all access to the facilities is maintained and reviewed daily.

The computer systems are secured through the use of strong passwords that are changed on a regular basis, as well as through the implementation of a secure network. The use of firewalls, which block all but the necessary ports for business operations, protect the systems from external intrusion. All connectivity for traders and OMS/EMS systems is through secure private extranets, secure internet connections or leased lines.



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All BIDS ATS application logins, failed login attempts, and logouts are time stamped and logged. Failed application login attempts are reported to operations staff immediately for review. In addition, all inbound and outbound transaction messages in the BIDS ATS application are time stamped and logged and are available to compliance staff and system security staff for investigation. These logs are included in the daily system backups. A complete history of all transactions (order entry, changes, cancellations and fills) is maintained for each User, and is available for inquiry and reporting by the User and by compliance staff.

All activities performed by IT staff in the operation and support of the BIDS ATS are timestamped and logged, including operating system logins, failed login attempts, and logouts. Access to the BIDS ATS application database is restricted through operating system and database security controls, and through a layered application architecture. Users do not have direct access to the database; all access is through secure application services.

All access to the BIDS ATS application by IT operations and support staff is recorded and stored in write once read many ("WORM") format, including logon and logoff events, all data definition language ("DDL") and data manipulation language ("DML") activities and all queries. The database audit log information is included in the daily system backups. All BIDS personnel provided access to the BIDS ATS application, including IT staff, are subject to the confidentiality agreement attached as **Appendix 3** to BIDS Trading's Initial Operation Report on Form ATS or the current form confidentiality agreements that was attached as Appendix 3 to BIDS Trading's Amendment to Form ATS dated January 4, 2016. BIDS also requires service providers with such access to execute similar agreements.

BIDS performs an annual security audit of its data center operations security. The annual security audit includes a review of operations practices and policies, architecture and technology, and vulnerability scan of the production data center systems. The results of the audit are reviewed by BIDS management and remediation plans put into action for security risks and other issues identified in the audit. These remediation plans will be reviewed quarterly by BIDS management to ensure that the plans are executed and that any new/improved practices and policies are complied with.

### **Contingency Planning**

The BIDS ATS system runs in an active-active, highly available system cluster housed in the New Jersey datacenter ("Primary Facility"). Failure handling scenarios and automated failover are tested in each major release of the Platform before deployment in the Primary Facility. These tests must be completed successfully before a new major release of the Platform is implemented.

*Trade and Order Data.* The BIDS ATS has multiple levels of redundancy to provide for business continuity in the event of different failures. The first level of protection is the Primary Facility in New Jersey, where all hardware components are duplicated; the system has redundant servers, network infrastructure and disk storage so that no single failure will stop processing in the main sites. Any such failure will not be visible to the end-user.

If the Primary Facility is made inoperable, Market Participants of the ATS can contact the BIDS help desk, to receive a list of all executions done up to the point of the failure.

In addition, all trade and order data is written to a removable storage medium using WORM tape technology meeting the requirements of SEC Rule 17a-4(f) on a daily basis, with that data stored in a secure off-site location. WORM backups are run at the Primary Facility.

In the event of the loss of the Primary Facility, the BIDS platform will be transferred to the Illinois datacenter ("Backup Facility") with a recovery time objective of the following trading day. The

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objective for data recovery is for the Backup Facility to restore all data that was for the immediately preceding trade date and then become the primary data processor until the Primary Facility is restored.

In addition to the foregoing, the Firm's clearing firm generates daily position files regarding securities trades to be cleared and settled in the Firm's name on pending dates.

*Books and Records.* The Firm maintains its primary books and records in electronic form at its Primary Facility. The Firm maintains its back-up hard copy books and records at Iron Mountain, its secure document storage service provider. The Firm backs up its paper records by scanning them and storing the scanned copies at Iron Mountain. In the event of an internal or external significant business disruption that causes the loss of the Firm's paper records, the Firm will recover the electronic copies from the Iron Mountain location. The Firm backs up its electronic books and records daily and stored offsite on a weekly basis. In the event of a loss of electronic books and records, the Firm will either physically recover the storage media or electronically recover data from the Iron Mountain location. The Firm maintains its archived copy of its electronic communications at Global Relay.

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## **Exhibit H**

**If any other entity, other than the alternative trading system, will hold or safeguard subscriber funds or securities on a regular basis, attach as Exhibit H the name of such entity and a brief description of the controls that will be implemented to ensure the safety of such funds and securities.**

The BIDS ATS does not hold Subscriber funds or securities or Subscribers' customers' funds or securities. BIDS requires each Subscriber and customer of a Subscriber to utilize its own clearing broker to hold and safeguard its funds and securities. In the unlikely event that BIDS receives any customer funds or securities, it will promptly transmit all such funds and securities to the clearing broker or dealer that carries that customer's account.

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**Exhibit I**

**Attach as Exhibit I, a list providing the full legal name of those direct owners reported on Schedule A of Form BD.**

BIDS Holdings GP LLC

BIDS Holdings L.P.

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## **List of Appendices**

### **Appendix 1**

Current list of the securities that they may be traded on the BIDS ATS was filed as Appendix 1 to BIDS Trading's Initial Operation Report on Form ATS.

### **Appendix 2**

Copies of the Certificate of Limited Partnership and Limited Partnership Agreement were filed as Appendix 2 to BIDS Trading's Initial Operation Report on Form ATS and as Appendix 2 to BIDS Trading's Amendment to Form ATS dated July 13, 2015.

### **Appendix 3**

BIDS Trading's previous Employee Invention and Confidentiality Agreement was filed as Appendix 3 to BIDS Trading's Initial Operation Report on Form ATS and as Appendix 3 to BIDS Trading's Amendment to Form ATS dated January 4, 2016.

### **Appendix 4**

The current BIDS Trader User Guide is attached as Appendix 4.

### **Appendix 5**

The current BIDS Trading Client Admin Guide is attached as Appendix 5.

### **Appendix 6**

The current "Welcome Letter" that is provided to Sponsored Users and the Order Handling Transparency and Trading Disclosure are attached as Appendix 6.

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APPENDIX 4

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APPENDIX 5

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APPENDIX 6