

**TRADITION SECURITIES AND DERIVATIVES LLC (“TSD”)  
BROKER’S BROKER PROCEDURES (MSRB RULE G-43)**

I. **General Obligations of TSD as a Broker’s Broker**

TSD’s obligations when acting as a Broker’s Broker include the following:

- Making a reasonable effort (employing the same care and diligence in doing so as if the transaction were being done for Tradition’s own account) to obtain a price for the dealer that is fair and reasonable in relation to prevailing market conditions,.
- Not taking any action that works against that dealer’s interest to receive advantageous pricing.
- Acting presumably for or on behalf of the seller in a Bid-Wanted for municipal securities, unless both the seller and bidders agree otherwise in writing in advance of the Bid-Wanted.

II. **Designated Supervising Principal**

Our Municipal Securities Principal(s) must ensure our full compliance with MSRB Rule G-43. Therefore, our Municipal Securities Principal(s) is responsible for ongoing assurance that all individuals under their immediate supervision are aware of and act in compliance with all rules and regulations governing TSD’s obligations and restrictions as a Broker’s Broker.

The Municipal Securities Principal(s) will sign a monthly MSRB Rule G-43 Attestation to evidence their daily contemporaneous review and other supervision of Broker’s Brokers activities and TSD’s compliance with MSRB Rule G-43. Compliance will maintain such attestation.

If determined that TSD has failed to comply with MSRB Rule G-43, the Municipal Securities Principal(s) will immediately bring the matter to the attention of our CCO(s) and Senior Management so that remedial actions can be taken. Compliance will maintain appropriate documentation of issues that raised concern and all follow-up action in its files, which may include written electronic communications archived at Global Relay.

NOTE: TSD amended the Monthly MSRB Rule G-43 Attestation Template in 2015 and late 2022 to better document the Broker’s Broker processes and procedures. The Municipal Securities Principal(s) must now attest to specific actions taken to ensure compliance with Rule G-43. When appropriate and/or required, the Municipal Securities Principal(s) and/or other members of the Broker’s Broker Desk will perform certain detailed actions via written electronic communication (e.g. email or Bloomberg message) in order to create an audit trail and documentary evidence of such actions. All related written electronic communications will be maintained in TSD’s Global Relay archive, which is readily accessible to Compliance (and other TSD staff upon request).

III. **Supervisory Review Procedures and Documentation**

1. ***Manner of Conducting Bid-Wanted***

TSD conducts all Bid-Wanted in the following manner:

- TSD makes a reasonable effort to widely disseminate a Bid-Wanted (including, but not limited to, the underwriter of the issue and prior known bidders on the issue to multiple dealers with possible interest in the block of securities. No fixed number of bids is required, but TSD observes the following policies:

- i. For securities with wide interest, TSD uses the MuniBrokers system (“MuniBrokers”) to disseminate Bid-Wanted.
- ii. For securities with limited interest (*e.g.*, small issues with credit quality issues and/or features generally unknown in the market), TSD makes a reasonable effort to reach dealers of which TSD is aware have either a specific knowledge of the issue or a known interest in securities of the type being offered. For such securities, TSD may utilize MuniBrokers and/or seek to reach appropriate dealers through our own efforts via email, Bloomberg messages, and/or telephone calls.
- iii. TSD does not limit the audience for a Bid-Wanted (such as through the use of screening or filtering), unless explicitly directed to do so by the seller.

Note: MuniBrokers’ Alert system can be configured by users to deliver bid-wanted items and offerings in real-time based on pre-selected criteria established by each user. There are system-generated alerts that are sent to previous bidders on each particular security that is the subject of a bid-wanted. In addition, potential bidders utilizing MuniBrokers can access a bid-wanted search screen where they can search by various criteria, including issue size, rating, call protection, sinking funds, security type, and others to identify securities that may be of interest to them. Along with systematic methods and relying on potential bidders to self-identify securities of interest, TSD brokers add an important layer to the bid gathering process. Indeed, TSD brokers are in daily contact with multiple potential bidders on securities of all types. Through their personal knowledge of indications of interest expressed through their professional contacts, our brokers often identify potential bidders that would have otherwise been missed.

- Each Bid-Wanted has a deadline for the acceptance of bids, after which TSD does not accept any bids or any changes to bids. Such deadline is noted in the order record and is either a “sharp” deadline or an “around time” deadline. For “around time” deadlines, TSD does not accept bids or changes to bids after the earlier of:
  - i. The time the seller directs TSD to sell the securities to the current high bidder;
  - ii. The time the seller informs TSD that the bonds will not be sold in the Bid-Wanted; or
  - iii. The end of the trading day as publicly posed by TSD prior to the Bid-Wanted (which will be the same time identified by MuniBrokers).

## 2. ***Predetermined Parameters***

TSD, along with our trading system administrator MuniBrokers, has established predetermined parameters solely for compliance with Rule G-43. The parameters are:

- i. Reasonably designed to identify most bids that may not represent the fair market value of municipal securities to which they are applied;
- ii. Systematically determined by TSD upon entry of a Bid-Wanted item in MuniBrokers and in advance of the acceptance of bids on the item; and
- iii. Systematically applied to all bids on that item.

Such parameters are formulaic and based upon objective pricing criteria, including, but not limited to a given CUSIP’s bidding history, MSRB trade data, independent evaluations, and the specific description of the bond.

The parameters are prominently disclosed on a website (provided by MuniBrokers) in advance of the Bid-Wanted in which they are used and periodically tested to verify that they identify most bids that do not represent the fair market value of the municipal securities in a Bid-Wanted to which they are applied (“Off-Market Bids”). The parameters are displayed on the detail of each Bid-Wanted item and permanently stored in the record for that item. Once a bid has been received on a Bid-Wanted, the parameters for that Bid-Wanted cannot be altered.

MuniBrokers also provides third-party evaluations, MSRB trade data, spot and interpolated spreads to benchmark yield curves, and the US Treasury (including straight line interpolated Treasury curve, and historical market data. Additional data available through MuniBrokers includes prices of bids and offers on securities that may not have traded and therefore, such data would not be available from any other source. The combination of the data provided is a unique source of information to assist all MuniBrokers users to determine what they believe are fair and reasonable prices for any security displayed in the system.

Our Municipal Securities Desk also regularly receives and reviews municipal market data via Bloomberg, MuniBrokers, and other sources, including municipal securities trade histories and the Municipal Market Data (MMD) benchmark yield curve, which industry professionals widely use to price and analyze municipal securities.

Prior to conducting a Bid-Wanted, our Municipal Securities Principals, or the brokers under their supervision, will review the predetermined parameters against available contemporaneous and historical pricing information (including that of similar bonds) to determine whether such parameters seem reasonably designed to identify Off-Market Bids. Upon discovery of unreasonably designed parameters, the Municipal Securities Principal or broker will notify MuniBrokers and request further review and possible adjustment to such parameters via written electronic communication.

In addition, TSD will periodically (but not less than annually) perform testing to determine the effectiveness of MuniBrokers' predetermined parameters and whether they were reasonably designed to identify Off-Market Bids. TSD will perform such testing by selecting a sample of past Bid-Wanted and then determining whether there was a material amount of instances within such sample where the high bid fell outside of the predetermined parameters. TSD will consider various factors to determine what is an acceptable deviation percentage, including, but not limited to the current market conditions and other information available at the time when this testing is performed. If TSD observes a material amount of deviations in excess of a reasonable threshold, TSD will notify MuniBrokers and request review and possible adjustment of the methodology used to set the parameters so that they better reflect the market for relevant Bid-Wanted items going forward. A record of this testing, including documentation indicating the sample of Bid-Wanted reviewed and results of such review, will be maintained via written electronic communication to [Muni.Amer@tradition.com](mailto:Muni.Amer@tradition.com) distribution list. In addition, any requests or notifications to MuniBrokers as a result of this testing will be made via written electronic communication to document such action being taken.

In 3/20/2012 commentary, the MSRB advised, "*by definition, 'predetermined parameters' must be designed to identify off-market bids*" and that the purpose of periodic testing is to identify "*as markets move over time, [when] the predetermined parameters of a broker's broker may cease to be effective in identifying off-market bids.*" See <https://www.sec.gov/rules/sro/msrb/2012/34-66625.pdf>. In the absence of further MSRB guidance describing how firms should perform testing of pre-determined parameters, TSD has determined that the methodology described in this procedure is reasonable to achieve compliance MSRB Rule G-43(c)(i)(F).

### 3. **Providing Cover Bids**

TSD may provide the cover bid to the winning bidder at the time of execution if TSD contemporaneously makes the bidding information available to the market.

### 4. **Providing Bid Information on an Item that Becomes "Subject"**

Should the seller change a component of a Bid-Wanted item during the Bid-Wanted process, the Bid-Wanted is considered "Subject" and therefore withdrawn or designated "No Trade." The Bid-Wanted is then considered "completed" in MSRB terms and all bidding information will be made AVAILABLE by TSD. If the

seller directs TSD to re-initiate the Bid-Wanted with the updated changes, a new Bid-Wanted will be opened using a new unique item number.

#### 5. ***Providing Bid Information on an Item That Is Past Its Firm Time***

On a Sharp/Firm or Around/Firm Bid-Wanted item a bidder is asked to bid the item by the stated time and hold its level until the Firm time has elapsed. There are multitudes of reasons why sellers occasionally cannot complete their internal processes by the Firm time. When a seller contacts TSD to inform TSD that the seller may or will miss the Firm time of its Bid-Wanted, the high bidder is then contacted by TSD, which relays the situation and inquires whether the bidder will stand by their bid past the Firm time.

While the passing of the Firm time on a Bid-Wanted necessarily moves all bids into the "Subject" column, it does not complete the process; the process is only complete when TSD receives direction from the seller as to a closed or completed status or the high bidder has indicated that it will not stand by its bid. As an active Bid-Wanted, bid pad information is not made available to the market. In addition, bidding information should not be made available to the market unless or until the high bidder indicates it will not stand by its bid and the seller has closed the item.

#### 6. ***"For Sale" or "Will Trade" Items***

If the seller directs TSD to sell a Bid-Wanted item, ("For Sale" designation), Rule G-43 stipulates that TSD is to promptly sell the item to the current high bid in the bid pad. If a seller informs TSD that a Bid-Wanted item "Will Trade" upon the completion of the bidding process, TSD has duties under Rule G-43 to employ the same care and diligence as if the transaction were being done for its own account. Further, TSD is not to take any action that would work against the seller's interest to receive advantageous pricing. Therefore, TSD is required to complete the process as requested by the seller and gather bids on the item, until such time that the seller directs TSD to sell the bonds.

TSD conducts all Bid-Wanted in the following manner:

- TSD makes a reasonable effort to widely disseminate.

#### 7. ***Communications During Bid-Wanted***

TSD observes the following policies and restrictions on communications during a Bid-Wanted:

- Effective 5/12/23, TSD will inform the seller of the results of a Bid-Wanted, in which bids were actually received, via a written electronic communication with an accompanying Bid-Wanted report generated from the MuniBrokers system. TSD will rely upon the "bid-wanted report," which contains relevant details including both the high bid and predetermined parameters, to satisfy our disclosure obligations to the seller.
- When the high bid received in a Bid-Wanted is above or below the predetermined parameters and TSD believes that the bid may have been submitted in error, TSD may contact the bidder prior to the deadline for bids without the consent of the seller to determine whether its bid was submitted in error.
- When the high bid is within the predetermined parameters but TSD believes that the bid may have been submitted in error, TSD may not contact the bidder to determine if the bid was submitted in error without first receiving oral or written permission from the seller to do so. TSD obtains such seller's permission on a transaction-to-transaction basis and documents both TSD's request and the seller's response thereto in writing.

- If this situation should occur, emails or other written electronic communications documenting the request for permission and seller’s response would be maintained in TSD’s Global Relay archive and may also be forwarded to Compliance for retention.
- MuniBrokers allows for correction of typographical or data entry errors. As an example, transposed numbers or bids entered on wrong items. These errors will also be documented in the record of the relevant bid and disclosed to the seller when affecting the high or cover bids.
- When the high bid received in a Bid-Wanted is below the predetermined parameters, TSD must disclose that fact to the seller and observes the following procedures:
  1. TSD documents, in writing, the notice provided to the seller, including the time that such notice was provided, the name of the person at TSD who provided such notice, the name of the person who received such notice on the seller’s behalf, and the seller’s acknowledgment that it has, in fact, received such notice.
  2. TSD executes the transaction at that price only if directed to do so by the seller after the seller has acknowledged that the seller has received notice that the high bid is below the predetermined parameters.
  3. TSD documents in writing any such direction to sell at a price that is below the predetermined parameters, including the name of the person at the seller that directs TSD to sell at that price, the time when the direction was received, and by whom the direction was received.
    - If this situation should occur, TSD would notify the sellers via email or other written electronic communication. Such communications would indicate the time of notice (sent time), who provided it (sender), and who received it (addressee). The seller’s acknowledgment of receipt would be at the seller’s discretion and, if supplied, be either verbal or via written electronic communication. Such written electronic communications would be maintained in TSD’s Global Relay archive and may also be forwarded to Compliance for retention.

Once the bid is marked “put up” by a TSD broker, this information will be available on MuniBrokers for a seller and may also be disclosed verbally by a broker. This will be documented in the record of the relevant bid.

- If the winning high bidder’s bid or cover bid in a Bid-Wanted has been changed, TSD discloses such change to the seller prior to execution and provide the seller with the original and changed bids. Once the bid is marked “put up” by a TSD broker, this information will be available on MuniBrokers for a seller and may also be disclosed verbally by a broker. This will be documented in the record of the relevant bid.
- TSD informs the seller of the highest bid in a Bid-Wanted or offering.
  - To ensure documentary evidence, this notice is provided by email or other written electronic communication, which would be maintained in TSD’s Global Relay archive and may also be forwarded to Compliance for retention.

## 8. **Disclosures**

TSD discloses information to bidders and sellers regarding our Broker’s Broker activities, including the following:

- The nature of its undertaking for the sellers and bidders in Bid-Wanted and offerings;
- The manner in which TSD conducts Bid-Wanted and offerings;
- The commission or other economically similar compensation schedules for transactions, which reflect at a minimum the maximum charge that TSD could impose on a given transaction; and
- A description of the manner in which TSD satisfies its obligation to obtain a fair and reasonable price in the case of offerings and Bid-Wanted not conducted in accordance with Section II (“Manner of Conducting Bid-Wanted”) above.

Such disclosures are posted in a prominent position on the website provided to TSD by MuniBrokers, which also discloses TSD's end of trading day time, the predetermined parameters in advance of the Bid-Wanted in which they are used; and TSD's Broker's Broker policies and procedures.

In addition, TSD observes the following transaction specific disclosures:

- TSD brokers with Customers (as defined in Rule D-9) and Affiliates (as defined in Rule G-11(a)(x)) and allows them to place bids on items. TSD discloses such fact to both sellers and bidders in writing and further will disclose to the seller if the high bid in a Bid-Wanted or offering is from a customer or an affiliate (such disclosure does not, however, identify the name of the customer or affiliate).

## 9. **Compensation**

With respect to Bid-Wanted and offerings of municipal bonds, TSD is compensated on the basis of commissions or other economically similar basis.

## 10. **Prohibitions**

As a Broker's Broker, TSD is prohibited from engaging in the following activities:

- Self-dealing.
- Maintaining municipal securities in any proprietary or other accounts, other than for clearance and settlement purposes.
- Encouraging bids that do not represent the fair market value of municipal securities which are the subject of a Bid-Wanted or offering.
  - The Brokers' Broker Desk includes approximately five persons. Two Municipal Securities Principals (Series 53), who are also the desk managers, oversee the business. The close proximity of the brokers to their supervisors greatly aids their oversight and ability to discourage and detect inappropriate or prohibited practices. The Municipal Securities Principals would immediately address any such behavior directly with the broker(s) involved and notify Compliance of the incident via email or other written electronic communication, which TSD's Global Relay archive would maintain.
- Giving preferential information to bidders in Bid-Wanted, including but not limited to, "last looks," directions to a specific bidder that it should "review" its bid or that its bid is "sticking out."
  - The Municipal Securities Principals would immediately address any such behavior directly with the broker(s) involved and notify Compliance of the incident via email or other written electronic communication, which TSD's Global Relay archive would maintain.
- Changing a bid price or offer price without the bidder's or seller's respective permission.
  - Bidders or sellers may currently give permission for price changes either verbally or via written electronic communications. To ensure documentation, the Firm would confirm any permission given verbally with a written electronic communication to the bidder or seller. All related written electronic communication would be maintained in TSD's Global Relay archive.
- Failing to inform the seller of the highest bid in a Bid-Wanted or offering;
- Accepting a changed bid or a new bid from a bidder in the same Bid-Wanted after TSD has selectively informed that bidder whether its bid is the high bid ("being used") in the Bid-Wanted.
  - TSD will document notification to bidder that its bid is the high bid via written electronic communication and include a statement that the Firm cannot accept a changed bid or new bid from the bidder. All related written electronic communication would be maintained in TSD's Global Relay archive.

- Subject to the provisions of Bid-Wanted requirements (if applicable) and the prohibition discussed in above bullet, providing any person other than the seller (which may receive all bid prices) and the winning bidder (which may only receive notice that its bid is the winning bid) with information about bid prices prior to the completion of the Bid-Wanted, unless TSD makes such info available to all market participants on an equal basis at no cost, together with disclosure that any bids may not represent the fair market value of the securities, and discloses publicly that it will make such info public.
  - Supervisors monitor desk activity in real time and written electronic communications are subject to periodic and random review. Upon detection of inappropriate disclosure of information, Supervisors would notify Compliance or vice versa and appropriate action would be taken to halt and address such behavior. In addition, TSD would provide notice to our municipal market participants to inform them of the information which had been selectively provided. TSD would document such notice as well as any related action taken in written electronic communications maintained in the Firm's Global Relay archive.