

# WHITAKER SECURITIES LLC

Member FINRA & SIPC

## **Disclosures under MSRB Rule G-43**

Whitaker Securities LLC (“Whitaker”) is a FINRA registered broker dealer. Whitaker undertakes business as Municipal Securities Broker’s Broker (“MSBB”) under the rules of the Municipal Securities Rulemaking Board (“MSRB”) Rule G-43. Whitaker acts as an agent or riskless principal in the purchase or sale of municipal bonds on behalf of undisclosed principals that are registered brokers, dealers, or municipal securities dealers. Whitaker does not position municipal securities, participate in syndicates, hold customer funds or safe keep customer securities, rather it acts in the limited capacity of providing anonymity, communication and contemporaneously matched orders for its customers. Whitaker does not exercise discretion as to the price or time at which its MSRB customers’ transactions are executed. Whitaker is compensated solely through markups on each trade facilitated between customers. Markups are negotiated with the customers on a transaction by transaction basis, but do not exceed three percent of the total market value of the securities being transacted. A general Municipal Commission Schedule is attached to this disclosure.

Pursuant to MSRB Rule G-43, Whitaker will make a reasonable effort to obtain a price for the client that is fair and reasonable in relation to prevailing market conditions. A “bid-wanted” is defined by the MSRB as “*an auction for the sale of municipal securities in which:*

- *The seller does not specify a minimum or desired price for the securities that are the subject of the auction at the commencement of the auction;*
- *The identities of the bidders and the seller are not disclosed prior to the conclusion of the auction, other than to the broker’s broker;*
- *Bidders must submit bids for the auctioned securities to the broker’s broker; and*
- *The seller decides whether to accept the winning bid.” (see MSRB Rule G-43(d)(ii).)*

Whitaker will act 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.

## **Conduct of Bid-Wanted**

Whitaker will make reasonable effort to obtain a price for the dealer that is fair and reasonable in relation to prevailing market conditions and will disseminate a bid-wanted widely to obtain exposure to multiple dealers. No fixed number of bids is required, bid-wanted may include (but are not limited to) the underwriter of the issue, prior known bidders and multiple dealers with known interest in the size and/or type of securities.

For securities of limited interest, Whitaker will make a reasonable effort to reach dealers with specific knowledge of the issue or known interest in securities of the type being offered. In those instances where trade activity is limited, MuniBrokers also provides data that includes prices of bids and offerings on securities that may not be available from any other source. Parameters are prominently disclosed on MuniBrokers’ website in advance of the bid-wanted in which they are used and are periodically tested to verify that they identify most bids that do not represent the fair market value of the municipal securities in bid-wanted to which they are applied.

Each bid-wanted must have a deadline for the acceptance of bids, after which the firm will not accept any bids or accept any changes to bids. Such deadline will be either a “sharp” deadline or an “around time” deadline. For around time deadlines, Whitaker will not accept bids or changes to bids after the earlier of:

- the time the seller directs Whitaker to sell the securities to the current high bidder;
- the time the seller informs Whitaker that the bonds will not be sold in that bid-wanted;
- or the end of the trading day as publicly posted by Whitaker’s MuniBrokers webpage prior to the bid-wanted (which will be the same time as identified by MuniBrokers). The deadline must be noted in the order record.

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## **Predetermined Parameters**

Whitaker utilizes MuniBrokers, a third-party auction facilitation platform. Whitaker and MuniBrokers have established predetermined parameters for compliance with MSRB Rule G-43. MuniBrokers' algorithmic-based price range is used to determine whether bids placed in a bid-wanted auction are fair and reasonable. The parameters are additionally derived from an examination of recent trade activity in the subject security as reported to the MSRB.

Whitaker will test such predetermined parameters on a quarterly basis to determine whether they have identified most bids that did not represent the fair market value of municipal securities that were the subject of bid-wanted to which the predetermined parameters were applied.

In the event that the high bid received in a bid-wanted is outside of the predetermined parameters and Whitaker believes that the bid may have been submitted in error, we may contact the bidder prior to the deadline to determine whether the bid was, in fact, submitted in error.

In the event that the high bid is within the predetermined parameters and Whitaker believes that the bid may have been submitted in error, we must receive oral or written permission from the seller before contacting the bidder to determine whether its bid was, in fact, submitted in error.

In the event that the high bid received in a bid-wanted is below the predetermined parameters, Whitaker shall disclose that fact to the seller prior to trade execution and may only effectuate the trade if the seller acknowledges such disclosure either orally or in writing.

## **Prohibitions**

As a Broker's Broker, Whitaker 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;
- 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";
- Changing a bid price or offer price without the bidder's or seller's respective permission;
- 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 Whitaker has selectively informed that bidder whether its bid is the high bid ("being used") in the bid-wanted;
- 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 Whitaker makes such information 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.

The MSRB offers additional guidance to dealers that use the services of a broker's broker. Whitaker Securities LLC encourages all participants in bid-wanted auctions to review the notice, which is available at:

<http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-43.aspx?tab=2>

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## Municipal Commission Schedule

This is a general commission schedule and commissions may vary at the discretion of the broker dealer or contra-party dealer. Commissions may be negotiated for a higher rate for illiquid or high-yield or rare issues, and may be less for typical liquid and high grade issues.

Bid-Wanted	0 - 9m	=	1-2 pts
	10m - 24m	=	1 pt - .75 pt
	25m - 49m	=	.75 pt - .50 pt
	50m - 75m	=	.375 - .25 pts
	76m - 95m	=	.25 pt - .125 pt
	96m - 499m	=	.125 pt - .100 pt
	500m+	=	.100 pt - .075 pt