

October 2008

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Electronic Brokerage Systems, LLC  
Business Continuity Plan (BCP)

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### Critical Elements

There are 10 critical elements of a BCP specified in NASD Rule 3510. Each firm need only address the elements applicable to its business, but if you do not include a specified element in your firm's plan, your plan must document why it is not included:

- (1) Data back-up and recovery (hard copy and electronic);
- (2) All mission critical systems;
- (3) Financial and operational assessments;
- (4) Alternate communications between customers and the member;
- (5) Alternate communications between the member and its employees;
- (6) Alternate physical location of employees;
- (7) Critical business constituents, banks, and counter-party impact;
- (8) Regulatory reporting;
- (9) Communications with regulators; and
- (10) How the member will assure customers' prompt access to their funds and securities in the event that the member determines that it is unable to continue its business.

Keep in mind that the above-listed 10 elements are not exhaustive; you should address other key areas for your plan to be complete and thorough, based on your firm's business and operations.

General guidance and background: Please see *NASD Notice to Members (NtM) 04-37*; General Accounting Office, "Report on Potential Terrorist Attacks: Additional Actions Needed to Better Prepare Critical Financial Market Participants," Report Nos. GAO-03-251 and GAO-03-414 (Feb. 2003) (available at <http://www.gao.gov/>); The Securities and Exchange Commission/Board of Governors of the Federal Reserve System/Office of the Comptroller of the Currency Joint White Paper on Business Continuity Planning <http://www.sec.gov/>; and business continuity planning Web sites, including [http://www.sia.com/business\\_continuity/](http://www.sia.com/business_continuity/); [www.thebci.org](http://www.thebci.org/); [www.business-continuity.com](http://www.business-continuity.com/); [www.bsi-global.com](http://www.bsi-global.com/); [www.fsscc.org](http://www.fsscc.org/); [www.londonprepared.gov.uk/business/businesscont/](http://www.londonprepared.gov.uk/business/businesscont/) and [www.drii.org](http://www.drii.org/).

## **I. Emergency Contact Persons**

Our firm's two emergency contact persons are: Robert C. Sheehan, 312-986-6262, 312-961-6446 Cell, 708-447-7389 home, Bsheehan@belzberg.com and Tim Taylor, 312-986-6212 work #, 312-203-5720, Ttaylor@belzberg.com. These names will be updated in the event of a material change, and our Executive Representative will review them within 17 business days of the end of each quarter.

*Rule: NASD Rule 3520.*

## **II. Firm Policy**

It is the firm's policy to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

### **A. Significant Business Disruptions (SBDs)**

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

### **B. Approval and Execution Authority**

Robert C. Sheehan, President, and registered principal, is responsible for approving the plan and for conducting the required annual review. Robert C. Sheehan, President has the authority to execute this BCP.

### **C. Plan Location and Access**

Our firm will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located on the firm's intranet. Additionally; a copy of the plan will be in each of the Toronto and New York offices.

### **III. Business Description**

The firm conducts business in equity, fixed income, and derivative securities. Our firm is not engaged in the traditional retail brokerage business. Our business includes routing orders to various exchanges and ECN's as directed by their clients. We accept and enter orders. All transactions are sent to the NSCC, via correspondent clearing which then flips the trades to clients' clearing firm.

Additionally, we do not engage in proprietary trading and we do not engage in any private placements.

### **IV. Office Locations**

#### **A. Office Location #1**

Our Location #1 Office is located at 40 King Street West, Suite 3400, Toronto Ontario Canada. M5H 3Y2. These are the offices of Belzberg Technologies, Inc, the holding company of Electronic Brokerage Systems, LLC. Its main telephone number is 416-360-1812. Our employees may travel to that office by means of planes, train, or bus.

#### **B. Office Location #2**

Our Location #2 Office is located at 55 Broad Street, 28<sup>th</sup> Floor, New York, NY 10004. These offices are shared with Belzberg Technologies (USA), Inc., the parent company of Electronic Brokerage Systems. Its main telephone number is 646-201-5000. Our employees may travel to that office by means of foot, car, subway, train, bus, boat, or plane. Gary Kirby is the Branch Office Manager at this location, phone number 917-834-4179.

### **V. Alternative Physical Location(s) of Employees**

In the event that we are forced to leave our building during the course of a business day, all employees will promptly evacuate the building and meet at River City. River City is located at 800 S. Wells Street, Chicago, IL 60607. We will meet in the lobby; the security desk number is 312-431-2800.

In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to 320 Downing, Riverside, IL. The main telephone number is 708-447-7389.

Rule: NASD Rule 3510(c)(6).

## **VI. Customers' Access to Funds and Securities**

Our firm does not maintain custody of customers' funds or securities, which are maintained at their respective clearing firm. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site ([www.belzberg.com](http://www.belzberg.com)).

Rules: *NASD Rule 3510(a)*; Securities Exchange Act Rule 15c3-1; 15 U.S.C. 78eee (2003).

## **VII. Data Back-Up and Recovery (Hard Copy and Electronic)**

Our firm maintains its primary hard copy books and records and its electronic records at 141 West Jackson Blvd, Chicago, IL 60604. Patricia Bennett, FINOP, 312-986-6265 is responsible for the maintenance of these books and records.

Our firm maintains its back-up hard copy books and records in Toronto at the Main Headquarters. Belzberg Technologies is located at 40 King Street, West Suite 3400, Toronto Ontario Canada. These records are *paper copies, as well as electronic copies of trading records*. Mark Lin, IT, telephone number 416-360-1812, he report directly to Gus Protopapas in Toronto is responsible for the maintenance of these back-up books and records. Our firm backs up its paper records by copying and sending these to Toronto as new accounts are opened. We back up our records weekly.

The firm backs up its electronic records daily by replicating the trading data on the servers in Toronto, and keeps a copy at the Chicago Office.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from our back-up site. If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

Rule: *NASD Rule 3510(c)(1)*.

## VIII. Financial and Operational Assessments

### A. Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include our website, telephone voice mail, and secure-email, etc. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

Rules: *NASD Rules 3510(c)(3) & (f)(2).*

### B. Financial and Credit Risk

In the event of an SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact our parent company critical banks, and investors to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counter-parties or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take appropriate steps, including contacting, the OCC, CBOE, FINRA, DTCC, NSCC, , as well as Harris Bank.

Rules: *NASD Rules 3510(c)(3), (c)(8) & (f)(2).*

## **IX. Mission Critical Systems**

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities. More specifically, these systems include: NSCC – PCWEB, which allows the firm to access all their trading reports for Stock executions, OCC – ENCORE, Belzberg – trading platform, which enables customers to trade, Harris Bank – Direct Line for Business, which allows us access to get balances in our bank accounts, as well as transferring funds.

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions of processing client orders. The NSCC provides, through contract, the comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Our firm represents that it will advise us of any material changes to its plan that might affect our ability to maintain our business. In the event our firm executes its plan, we represent that we will notify us of such execution and provide us equal access to services as its other customers. If we reasonably determine that our clearing firm has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, our clearing firm represents that it will assist us in seeking services from an alternative source.

Our firm represents that it backs up our records at a remote-site. Our firm represents that it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Our firm has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Our firm has the following SBD recovery time and resumption objectives: recovery time period of, *within 4 hours*; and resumption time of, *within the same business day*.

### **A. Our Firm's Mission Critical Systems**

#### **1. Order Taking**

Currently, our firm receives orders from customers via FIX connections. During an SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by fax, phone call, email.

## **2. Order Entry**

Currently, our clients enter orders electronically and sending them the exchanges or ECN's for execution.

In the event of an internal SBD, we will continue to allow the clients to enter and send records to the exchanges and ECN's by the fastest alternative means available, which include backup lines, or via backup servers.

## **3. Order Execution**

We currently execute orders by direct lines or connections to the exchanges or En's. In the event of an internal SBD, we would be able to call the exchanges directly to cancel any orders that need to be cancelled. In the event of an external SBD, we would call clients directly, as well as notify the exchange of any outages.

## **4. Other Services Currently Provided to Customers**

In addition to those services listed above in this section we also we redistribute market data]. In the event of an internal SBD, we would [we would be able to allow clients access to these via other servers located in the Toronto office. In the event of an external SBD, we would we would also be allowed to continue this service, based on the other offices.

Mission Critical Systems

## **X. Alternate Communications between the Firm and Customers, Employees, and Regulators**

### **A. Customers**

We now communicate with our customers using the telephone, e-mail, our Web site, fax, U.S. mail, and in person visits at our firm or at the other's location. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

*Rule: NASD Rule 3510(c)(4).*

## B. Employees

We now communicate with our employees using the telephone, e-mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers. We have identified persons, noted below, who live near each other and may reach each other in person:

The person to invoke use of the call tree is: Bob Sheehan or Patricia Bennett as the alternate.

<b>Caller</b>	<b>Call Recipients</b>
Bob Sheehan	Patty Bennett, Mike Bethman, Judith Robertson, Tim Taylor, Gary Kirby, Monika Tyrichtrova, Mike Tario,, Chad Clemons
Patty Bennett	Kristen Murphy, Dan Farrell, Tim Taylor, Bridget Poland
Mike Bethman	Erik Abraham
Erik Abraham	Elizabeth McLean, Jim Carlson, John Vismantas, Dan Mantucca
Dan Farrell	Tom Minaghan, Tom Bills, Sanj Hernandez, Al Tejada, Michael Deering
Gary Kirby	Andrew Goldberg, Joseph Funk, David Kornreich, Peter Ungaro
Andrew Goldberg	Chris Geiger, Sal Gentle, John McCague, Rob Stabile, David Macri, Harold Friedman, Tom O'Callaghan

Rule: NASD Rule 3510(c)(5).

## C. Regulators

We are currently members of the following SROs: CBOE, FINRA, NYSE. We communicate with our regulators using *the* telephone, e-mail, fax, U.S. mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

Rule: NASD Rule 3510(c)(9).

## D. NYSE Floor Operation

The office, personnel and business are on the floor of the New York Stock Exchange and 55 Broad Street, 28<sup>th</sup> Floor, New York, NY 10004. For those direct

access clients that the firm executes for, they are the introducing brokers to their clearing firm as clearing broker on a fully disclosed basis.

Should there be a disaster, the principals and/or officers of the firm would contact both the clients and personnel via either homes phones or cell phones, in order to make it clear that the NYSE floor is not operational and therefore no business is going to be conducted by the firm

If the NYSE floor is open for business, all personnel of the firm are required to make every attempt to come to work.

If the NYSE Floor is open for business, but the disaster has stricken another area that would cause the firm to be closed, cell phones would again be used to contact both personnel and clients.

The firm has no other facilities to back up the floor of the NYSE. And, there would be no need for the firm to set up at an alternative location, unless the NYSE was opening at an alternative location. Should the NYSE open at an alternative location, it is assumed that the NYSE would make arrangements for all members to be able to conduct business.

#### **D. CBOE Floor Operation**

The office, personnel and business are on the floor of the Chicago Board of Options Exchange. For those direct access clients that the firm executes for, they are the introducing brokers to their clearing firm as clearing broker on a fully disclosed basis.

Should there be a disaster, the principals and/or officers of the firm would contact both the clients and personnel via either homes phones or cell phones, in order to make it clear that the CBOE floor is not operational and therefore no business is going to be conducted by the firm

If the CBOE floor is open for business, all personnel of the firm are required to make every attempt to come to work.

If the CBOE Floor is open for business, but the disaster has stricken another area that would cause the firm to be closed, cell phones would again be used to contact both personnel and clients.

The firm has no other facilities to back up the floor of the CBOE. And, there would be no need for the firm to set up at an alternative location, unless the CBOE was opening at an alternative location. Should the CBOE open at an alternative location, it is assumed that the CBOE would make arrangements for all members to be able to conduct business.



## **XI. Critical Business Constituents, Banks, and Counter-Parties**

### **A. Business constituents**

We have contacted our critical business constituents (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of the internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of a SBD to them or our firm.

*Rules: NASD Rule 3510(c)(7).*

### **B. Banks**

We have contacted our banks and lenders to determine if they can continue to provide the financing that we will need in light of the internal or external SBD. The bank maintaining our operating account is: Harris Trust, Gary Shaefer, 111 West Monroe, Chicago, IL 312-461-3797, and fax number – 312-765-8201. If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from Royal Bank of Canada – attn; Dave Taylor *Rules: NASD Rule 3510(c)(7).*

### **C. Counter-Parties**

We have contacted our critical counter-parties, such as other broker-dealers or institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will work with the respective clearing firms or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

*Rules: NASD Rules 3510(a) &(c)(7).*

## **XII. Regulatory Reporting**

Our firm is subject to regulation by: CBOE, FINRA, SEC and Illinois State Securities Regulators. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the Internet. In the event of an SBD, we will check with the SEC, CBOE FINRA, and other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us. CFTC – NFA – NYSE – CBOE

CFTC - Sara Williams  
525 West Monroe  
Suite 1100  
Chicago, IL 60661  
312-596-0527  
312-596-0714 fax

CBOE – Bob Gardner  
111 West Jackson  
Suite 2300  
Chicago, IL 60604  
312-786-8054  
312-785-8054 fax  
[gardner@cboe.com](mailto:gardner@cboe.com)

NFA – Erin Kelly  
200 West Madison  
Chicago, IL 60603  
312-781-2236  
312-658-4137 fax  
[emattes@nfa.futures.org](mailto:emattes@nfa.futures.org)

FINRA – Jay Koutros  
20 Broad Street  
23<sup>rd</sup> Floor  
New York, NY 10005  
646-315-8509  
[Demetrios.koutros@finra.com](mailto:Demetrios.koutros@finra.com)

*Rule: NASD Rule 3510(c)(8).*

### **XIII. Disclosure of Business Continuity Plan**

: We provide in writing a BCP disclosure statement to customers on an annual basis.

*Rule: NASD Rule 3510(e).*

### **XIV. Updates and Annual Review**

Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our clearing firm. In addition, our firm will review this BCP annually, on September first, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

*Rule: NASD Rule 3510(b).*

**XV. Senior Manager Approval**

: I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

*Rule: NASD Rule 3510(d).*

Signed: Robert C. Sheehan

Title: President/CEO

Date: October 12, 2008

## **Electronic Brokerage Systems, LLC Business Continuity Planning**

Electronic Brokerage Systems, LLC has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

**Contacting Us** – If after a significant business disruption you cannot contact us as you usually do at Belzberg Technologies 416-360-1812, you should call our alternative number Belzberg Technologies (USA), Inc. 646-201-5000 or go to our web site at [www.belzberg.com](http://www.belzberg.com). If you cannot access us through either of those means, you should contact Bob Sheehan at 312-961-6446, or 708-447-7389 for instructions.

**Our Business Continuity Plan** – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data back up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

Our parent, Belzberg Technologies, Inc. backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions within 4 hours. Your orders could be delayed during this period.

**Varying Disruptions** – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 2 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within 24 hours. In either situation, we plan to continue in business, transfer operations to our clearing firm if

necessary, and notify you through our web site [www.belzberg.com](http://www.belzberg.com) or our customer emergency number, 416-360-1812 how to contact us. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer's prompt access to their funds and securities.

**For more information** – If you have questions about our business continuity planning, you can contact us at Electronic Brokerage Systems, LLC, 141 West Jackson Blvd, Suite 3510, Chicago, IL 60604.