

**Form ATS**

OMB APPROVAL	
OMB Number:	3235-0509
Expires:	April 30, 2017
Estimated average burden hours per response. . . . .	2.6

**INITIAL OPERATION REPORT, AMENDMENT TO INITIAL OPERATION REPORT  
AND CESSATION OF OPERATIONS REPORT FOR ALTERNATIVE TRADING  
SYSTEMS**

## FORM ATS INSTRUCTIONS

### A. GENERAL INSTRUCTIONS

1. Form ATS is the form an alternative trading system must file to notify the Securities and Exchange Commission ("SEC or "Commission") of its activities pursuant to Regulation ATS, § 242.300 et seq.
2. **WHEN TO FILE FORM ATS**
  - An alternative trading system must file an initial operation report on Form ATS at least 20 days prior to commencing operation.
  - The alternative trading system must update Form ATS information by submitting amendments to the initial operation report at least 20 calendar days prior to implementing a material change to the operation of the alternative trading system as described on Form ATS or any amendment thereto. Additionally, the alternative trading system must update Form ATS information by submitting amendments to the initial operation report on Form ATS within 30 calendar days after the end of each calendar quarter in which the alternative trading system has operated, correcting any information contained in any initial operation report or any amendment thereto that has been rendered inaccurate and that has not previously been reported to the SEC.
  - An alternative trading system must also file a cessation of operations report on Form ATS promptly upon ceasing to operate.
  - Form ATS shall not be considered filed, unless it complies with applicable requirements.
3. **CONTACT EMPLOYEE** - The individual listed on page 1 as the contact employee must be authorized to receive all contact information, communications and mailings and be responsible for disseminating that information within the alternative trading system's organization.
4. **FORMAT**
  - Attach an Execution Page (Page 1) with original manual signatures.
  - Please type all information.
  - Provide the name of the alternative trading system, the CRD number, the SEC File number, and the filing date on each page.
  - Use only the current version of Form ATS or a reproduction.
5. **WHERE TO FILE AND NUMBER OF COPIES** - Submit one original and two copies of Form ATS to: SEC, Division of Market Regulation, 450 Fifth Street, N.W, Washington D.C. 20549-1002. Simultaneously with the filing of the original with the SEC, file one duplicate copy of Form ATS with surveillance personnel designated by the self-regulatory organization that is the designated examining authority for the alternative trading system pursuant to Rule 17d-1 under the Securities Exchange Act of 1934.
6. **RECORDKEEPING** - A copy of this Form ATS, as well as the forms filed with the SEC, must be retained by the alternative trading system and made available for inspection upon request of the SEC.
7. **PAPERWORK REDUCTION ACT DISCLOSURE**
  - Form ATS requires an alternative trading system subject to Regulation ATS to provide the Commission with certain information regarding the operation of the alternative trading system, material and other changes to the operation of the alternative trading system, and notice upon ceasing operation of the alternative trading system.
  - An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Sections 3(b), 11A(a), 11A(c), 15(c), 17(a), 23(a) and 36(a) authorize the Commission to collect information on this Form ATS from alternative trading systems that are subject to Regulation ATS. See 15 U.S.C. §§78c(b), 78k-1(a), 78k-1(c), 78o(c), 78q(a), 78w(a) and 78mm(a).
  - Any member of the public may direct to the Commission any comments concerning the accuracy of the burden estimate on the facing page of Form ATS and any suggestions for reducing this burden.
  - Form ATS is designed to enable the Commission to determine whether an alternative trading system subject to Regulation ATS is in compliance with Regulation ATS and other federal securities laws.
  - It is estimated that an alternative trading system will spend approximately 20 hours completing the initial operation report on Form ATS, approximately 4 hours preparing each amendment to Form ATS, and approximately 2 hours preparing a cessation of operations report on Form ATS.
  - It is mandatory that an alternative trading system subject to Regulation ATS file an initial operation report on Form ATS, file an amendment to Form ATS prior to making a material change, file quarterly amendments to Form ATS to reflect changes not previously reported, and file notice on Form ATS upon ceasing operation of the ATS.

## FORM ATS INSTRUCTIONS

- All reports provided to the Commission on Form ATS are deemed confidential and will be available only to the examination of Commission staff, state securities authorities, and the self-regulatory organizations. Subject to the provisions of the Freedom of Information Act, 5 U.S.C. 522 ("FOIA") and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with, an examination or inspection of the books and records of any person or any other investigation.
- This collection of information has been reviewed by the Office of Management and Budget ("OMB") in accordance with the clearance requirements of 44 U.S.C. §3507. The applicable Privacy Act system of records is SEC-2 and the routine uses of the records are set forth at 40 FR 39255 (August 27, 1975) and 41 FR 5318 (February 5, 1976).

### B. EXPLANATION OF TERMS

**ALTERNATIVE TRADING SYSTEM** - Shall mean any organization, association, person, group of persons, or system: (1) that constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange within the meaning of Rule 3b-16 under the Exchange Act; and (2) that does not (i) set rules governing the conduct of subscribers other than the conduct of such subscribers' trading on such organization, association, person, group of persons, or system, or (ii) discipline subscribers other than by exclusion from trading.

**SUBSCRIBER** - Shall mean any person that has entered into a contractual agreement with an alternative trading system to access such alternative trading system for the purpose of effecting transactions in securities or for submitting, disseminating or displaying orders on such alternative trading system, including a customer, member, user, or participant in an alternative trading system. A subscriber, however, shall not include a national securities exchange or national securities association.

**ORDER** - Shall mean any firm indication of a willingness to buy or sell a security as either principal or agent, including any bid or offer quotation, market order, limit order or other priced order.



Form ATS Page 2	<b>UNITED STATES SECURITIES AND EXCHANGE COMMISSION</b> <b>WASHINGTON, D.C. 20549</b> <b>INITIAL OPERATION REPORT, AMENDMENT TO INITIAL OPERATION REPORT AND</b> <b>CESSEATION OF OPERATIONS REPORT FOR ALTERNATIVE TRADING SYSTEMS</b>	OFFICIAL USE	OFFICIAL USE ONLY
Alternative trading system name: <u>XE</u>		CRD Number: <u>16835</u>	
Filing date: <u>3/9/16</u>		SEC File Number: <u>8-37269</u>	
<ol style="list-style-type: none"> <li>2. If this is an initial operation report, the date the alternative trading system expects to commence operation: _____</li> <li>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.</li> <li>4. Attach as Exhibit B: <ol style="list-style-type: none"> <li>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”).</li> <li>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.</li> </ol> </li> <li>5. Attach as Exhibit C, the name, address, and telephone number of counsel for the alternative trading system.</li> <li>6. Attach as Exhibit D, a copy of the constitution, articles of incorporation or association, with all amendments, and of the existing bylaws 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.</li> <li>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</li> <li>8. Attach as Exhibit F, the following information: <ol style="list-style-type: none"> <li>a. The manner of operation of the alternative trading system;</li> <li>b. Procedures governing entry of orders into the alternative trading system;</li> <li>c. The means of access to the alternative trading system;</li> <li>d. The procedures governing execution, reporting, clearance, and settlement of transactions effected through the alternative trading system;</li> <li>e. Procedures for ensuring subscriber compliance with system guidelines; and</li> <li>f. A copy of the alternative trading system’s subscriber manual and any other materials provided to subscribers.</li> </ol> </li> <li>9. Attach as Exhibit G, a brief description of the alternative trading system’s procedures for reviewing system capacity, security, and contingency planning procedures.</li> <li>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.</li> <li>11. Attach as Exhibit I, a list providing the full legal name of those direct owners reported on Schedule A of Form BD.</li> </ol>			

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**Exhibits to Weeden & Co.'s Form ATS**

**Exhibit A**

**Subscribers and Access**

Subscribers are broker-dealers & institutions. The IOI cross is available to broker-dealers and institutions that are invited to participate. All of XE's crossing sessions are independent of one another (i.e., an order entered into the on close cross is not eligible to participate in the IOI cross).

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## **Exhibit B**

### **Types of Securities**

- a) **Types of Securities.** The ATS will trade equity securities.
- b) **List of Securities.** Any security listed on the AMEX, BATS, NYSE, NASDAQ or NYSE ARCA may be traded through the system. The system does not anticipate trading any securities that are not registered.

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**Exhibit C**

**Counsel**

David Sieradzki  
Schulte Roth & Zabel LLP  
1152 Fifteenth Street, NW, Suite 850  
Washington, DC 20005  
202.729.7470



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**Exhibit D**

**Certificate of Formation and Limited Liability Company Agreement**

Attached.

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## **Exhibit E**

### **Other Relevant Entities**

Pursuant to Commission Sharing and Execution and License Agreements among Weeden and its affiliates, Pragma Securities LLC and Pragma Financial Systems LLC (together, "Pragma"), Pragma provides Weeden various technology services in connection with the operation of the ATS. Pragma provides all implementation, hosting and maintenance services necessary to access and operate the ATS. Pragma also provides technical support in connection with the operation of the ATS; however, subscribers requiring technical support would contact Weeden, not Pragma.

The Firm's ATS uses a market data feed provided by Activ Financial to determine the NBBO.

Weeden's clearing broker, Broadcort Capital Corp. ("Broadcort"), is also involved in transactions executed through the ATS. Trades executed through the ATS clear and settle as other trades executed by Weeden do, via Weeden's clearing relationship with Broadcort.

## Exhibit F

### The System

- a) **Manner of Operation.** The ATS offers two distinct crossing products: (1) On Close Match; and (2) IOI Cross. As discussed below, the ATS also supports execution of transactions for expedited settlement. The ATS' primary function is to allow customer orders to interact. Subject to the limitations described below, orders that are not immediately matched remain in the book unless they are cancelled by the subscriber. Information regarding order types for each matching session is provided below; however, the ATS does not accept short sale orders for On Close Match. With the exception of the On Close Match, the ATS operates during normal market hours (i.e., 9:30 a.m. through 4:00 p.m. EST). Orders participating in the On Close Match are executed as soon as the primary listing exchange publishes the closing price.

*On Close Match.* For participants entering designated market orders (the On Close Match does not accept limit orders), the ATS provides crossing at the primary exchanges' closing price. The On Close Match accepts orders between 7:00 a.m. and 4:00 p.m. (orders received prior to 9:30 a.m. are held in queue until 9:30). As orders are received throughout the day, they are matched, as possible, against contra interest in the cross. Once an order is "matched" it cannot be cancelled and both parties are notified that their orders have been matched for execution at the closing price. Unmatched shares at the end of the day are, depending on the subscriber's instructions, either transmitted to the primary listing exchange for that security to participate in the exchange's closing cross (pursuant to each exchange's closing cross rules) or cancelled.

*On Close Match Crossing Rules.* All On Close Match orders are executed at the closing price disseminated by the primary listing exchange. Priority for the On Close Match is based on time/size priority determined by the total crossable shares and the number of contra orders.

*IOI Crosses.* Weeden permits certain of its customers to view Actionable Indications of Interest ("A-IOIs"). A-IOIs are not displayed in the ATS, but Weeden customers that are able to view A-IOIs in Bloomberg or their OMS are also able to submit contra side orders to execute against A-IOIs. Transactions effected as a result of a customer sending contra interest to execute against an A-IOI will be executed through the ATS, though the process for viewing A-IOIs and submitting contra interest occurs outside of the ATS. Subscribers may designate orders participating in the IOI Cross as day or IOC orders. Subscribers must set a limit price for an A-IOI order and may also peg A-IOI orders to the NBB, NBO, or NBBO midpoint. If an IOI cross occurs outside the NBBO, the Firm will send a Regulation NMS compliant ISO sweep.

*IOI Crossing Rules.* IOI crosses will execute at, within or outside the NBBO depending on the limit prices on the A-IOI and the contra side order.

*Expedited Settlement Orders.* In addition to the above, Weeden permits orders to be entered into the ATS for expedited settlement. Orders designated for expedited settlement are processed by the ATS in the same manner as other orders in the system – subject to the matching rules described above. The actual execution of these orders, however, is different. Rather than having orders interact directly, Weeden executes both sides of the transaction as principal to allow the party seeking expedited

settlement to receive it. When an order is entered for expedited settlement, the ATS seeks a match for that order without regard to the special settlement instruction. If a contra side for the order is found, Weeden acts as principal on both sides of that transaction so that the side of the transaction designated for expedited settlement will settle on a timely basis.

- b) Procedures Governing Entry of Orders.** Orders will be entered into the system via a direct Financial Information eXchange (“FIX”) connection established by each approved subscriber. On Close orders may also be entered by a Weeden trader pursuant to a subscriber’s instructions. Subscribers will be required to use their own front-end systems to generate the FIX order messages submitted to the ATS and the messages must be compatible with FIX specifications versions 4.0 – 4.3. In addition to order-type requirement limitations, a subscriber’s entry of orders into the ATS is subject to the pre-configured order and transaction limitations described below.

*Max Day Trade Limit.* Each client is configured for a maximum trade value over the course of the day. If this limit is exceeded, all additional orders will be held until Weeden makes a determination regarding whether to increase the subscriber’s trading limit. If the trading limit is not increased, the order is rejected and the subscriber is notified.

*Max Order Size.* Each client is configured for a maximum order size. If this limit is exceeded for any order, the order will be held until Weeden makes a determination regarding whether to increase the subscriber’s order size limit. If the maximum order size is not increased, the order is rejected and the subscriber is notified.

- c) System Access.** System access is only available to subscribers approved through an application process. Subscribers must utilize a dedicated FIX connection to the system established by a private, professional network provider.
- d) Execution, Reporting, Clearance and Settlement.** Orders are executed in the system pursuant to the matching logic described above and are reported to ACT/TRF on a real-time basis. The clearance and settlement of trades in the system will occur as all other trades done by Weeden, through the Firm’s relationship with Broadcort.
- e) Subscriber Compliance.** The system has no “rules” and imposes no requirements on subscribers with which they must comply (i.e., the System logic is the only source of rules and cannot be violated by a subscriber).
- f) Subscriber Manual.** The system does not have a subscriber manual.

## Exhibit G

### Capacity, Security and Contingency Planning

**System Capacity.** Pragma measures capacity for both the application and the system hardware. Application capacity is evaluated to ensure the application does not fail during live trading. System capacity is evaluated to ensure the operating system does not fail during live trading. Pragma conducts capacity testing before each software release. Application capacity measurements are taken for order throughput (orders/second), latency, total number of orders, and total number of trades. These four factors are the main indicators of load on the system. Application capacity testing is conducted before each software release. Software updates are released once per quarter. Testing for each of these variables is described below.

**Throughput.** Pragma tests throughput by sending as many orders per second as the system can process. This simulates many clients loading the system heavily at the same time. This is used to determine how the system will handle "spikes" in message traffic. Several variables are altered and results compared to ensure no one aspect of the system will keep the system as a whole from performing well during peak traffic times or "spikes" in message traffic.

**Latency.** Pragma tests latency by measuring the time elapsed from receipt of a client order to receipt of a response from the system. Once the test results are received, Pragma generates a matrix using measurements from varying order size and number of clients to facilitate its latency review.

**Order Capacity.** Pragma tests order capacity by sending a steady stream of orders that will not be matched over the course of the day and evaluating the number of unmatched orders supported in the system.

**Trade Capacity.** Pragma tests trade capacity by sending a steady stream of paired orders that will match and evaluating the number of order executions supported by the system.

In addition to testing, all application functions are monitored and stored in real time using professional monitoring techniques. Live and historical data are available for analysis.

**System Security.** Access to the system is restricted by a firewall. Each client must be configured at the hosting site by specific IP address and port for access. Also, client connectivity must be established via a private, professional network provider. Clients must also establish a FIX (Financial Information Exchange) session for communications with the system. This requires predetermined credentials to be exchanged and validated by the system and the client in order to establish communications

**Contingency Planning.** All recovery data is backed up in real time to a standby server. In the event of a server failure, the service shall be redeployed to another server at Equinix in North Bergen, New Jersey. Once redeployed, the service will begin again at the point where service was disrupted.

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**Exhibit H**

**Client Funds**

N/A

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**Exhibit I**

**Direct Owners**

Weeden Investors, LP - Limited Partner, CRD # 13-3364541.