



# Statement of Business Continuity Management

National Financial, a Fidelity Investments Company,  
National Financial Services LLC

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At National Financial and National Financial Services LLC (NFS), we recognize how heavily our clients rely on our systems and services. We also recognize that the unexpected can, and does, occur—from simple situations to major outages. Fidelity companies have successfully supported critical business activities during hurricanes, tornadoes, blizzards, and other disasters, natural or otherwise.

Prior events clearly have tested our readiness across virtually all dimensions: safety, systems and telecommunications, physical space, policy, process, and procedure.

Fidelity dedicates significant resources to our business continuity management and disaster recovery programs. National Financial, NFS, and other Fidelity companies have preestablished continuity and disaster recovery plans. Components of these plans are tested periodically to ensure effectiveness.

National Financial, NFS, and all Fidelity companies consider continuity planning to be an iterative process, requiring ongoing review, to assess various risks and appropriate responses.

## FIDELITY ENTERPRISE PLANNING GUIDELINES

Fidelity plans include the ability to recover from situations including, but not limited to, unplanned evacuations, power outages, major water leaks, fires, loss of water, severe weather, and any facility failures that may cause business interruption. Plans are designed to account for business interruptions of various lengths and scope, and require that Fidelity business units are able to recover critical functions according to their time criticality.

Key features of Fidelity's corporate business continuity planning include annual reviews of the following:

- Identification of all mission-critical systems, system backups, and recovery for such systems
- A review of financial and operational risk
- Alternate communications between Fidelity and our clients
- Employee safety strategies and communications
- Systems and telecommunications accessibility
- Alternate physical site location and preparedness

Enterprise Business Continuity articulates planning guidelines and coordinates response and event management across all Fidelity companies. Each Fidelity company also has dedicated business continuity planners to prepare and test its specific plan. Each Fidelity company follows enterprise-wide guidelines for continuity planning and disaster recovery for various scenarios. Fidelity's guidelines, which incorporate general industry best practices, include the following:

- **Business Impact Analysis**—Each Fidelity company is required to identify the time criticality of each business function, as well as the resources that the function needs to successfully recover. Additionally, each Fidelity company must annually review the time criticality of all business functions.
- **Business Continuity Plan**—Fidelity business units, including National Financial and NFS, annually document and update a business continuity plan to support the business unit's needs. Continuity plans include event management procedures, employee communications strategies, alternate site requirements, procedures for notifying clients, recovery management, and alternate site preparation checklists. The president or senior executive of each business unit is required to approve his or her business unit's plan annually.
- **Employee Training and Awareness**—Continuity plans also address promoting employee awareness with regard to event management and emergency communications tools, drilling evacuation procedures, communicating to employees the criticality ratings for the functions they perform, and identifying employees' roles in a continuity event. Because clear communications during an outage are vital, many Fidelity employees who support key functions have pagers, cell phones, or both.
- **Alternate Site Recovery Validation**—Sometimes the best solution during an outage is to move services to an alternate site. To ensure readiness, alternate sites are tested, at a minimum, twice each calendar year. Tests are designed to validate accessibility to critical systems, phones, records, and supplies. Enterprise Business Continuity maintains alternate sites for all production regions. Alternate sites are not on the same power or telecommunications grid as the primary site.

## BUSINESS DESCRIPTIONS

National Financial, a Fidelity Investments company, offers broker-dealer firms access to a comprehensive clearing platform that includes a dedicated service model, a powerful global trading platform, and access to leading investment solutions—all designed to help them grow confidently. Our broad offering enables us to serve broker-dealers of various types and sizes, which means we can continue to support them as their business evolves.

In addition to being a leading clearing provider in the U.S. for nearly 30 years, National Financial leverages the strength and experience of Fidelity Investments, one of the world's largest providers of financial services. As of September 30, 2009, National Financial had more than 300 client firms representing \$558 billion in assets under administration. For more information about National Financial, please visit [www.nationalfinancial.com](http://www.nationalfinancial.com).

Fidelity Capital Markets is the institutional trading arm of Fidelity Investments. It executes equity and fixed income securities trades on behalf of institutional clients as well as several Fidelity businesses. Fidelity Capital Markets' fixed income operation is a principal dealer in a wide range of taxable and tax-exempt securities. The firm also underwrites municipal and government agency debt. Fidelity Capital Markets is headquartered in Boston.

Fidelity Operations and Services Group (OSG) provides superior customer service to Fidelity's institutional businesses through innovation, dedication, and commitment to excellence. With eight operating divisions located throughout the country, OSG provides securities execution, clearance, and information management services to institutional, retail, and correspondent clients. OSG performs tens of thousands of over-the-counter, listed equity, options, bond, and mutual fund transactions daily. Offices are located in New York City, NY; Jersey City, NJ; Smithfield, RI; Boston, MA; Westlake, TX; Covington, KY; and San Francisco, CA.

NFS provides clearing, margin, money movement, and other operational services for your customers' accounts. As a registered broker-dealer, NFS is subject to the rules and regulations of the Securities and Exchange Commission (SEC), the New York Stock Exchange (NYSE), the Financial Industry Regulatory Authority (FINRA), and other exchanges of which NFS is a member. These regulatory organizations each have certain rules and regulations that NFS must follow to safeguard your customers' assets. Compliance is strictly enforced by regulatory agencies and reviewed each year during the annual audit, which is performed by an independent public accounting firm. NFS is also subject to examinations by the SEC, NYSE, and other organizations to ensure that their regulations are met.

#### NATIONAL FINANCIAL SERVICES CONTINUITY PLANNING AND BUSINESS RECOVERY

NFS mitigates risk to reduce potential issues and impact. In the event of an outage, NFS has tested plans to support recovery of its critical business functions. In addition to adhering to the guidelines stated above, NFS's recovery plans include the following:

- **Employee Safety**—NFS companies place an emphasis on employee safety. We conduct regular evacuation drills, which are led by trained floor wardens and supervised by on-site security personnel.
- **Backup Power**—NFS sites that support trading and operations are located in buildings with uninterruptible power supplies (UPS) and backup generators.
- **Separate Sites**—NFS has sites in several locations throughout the country. NFS also has additional offices for certain trading and relationship support functions. These separate sites provide backup for certain critical functions.

- **Contingencies for Inclement Weather**—If there is a forecasted weather emergency, hotel rooms are obtained for essential personnel. If the weather emergency could result in the inability to access the primary site, the alternate site would be prepared for use and personnel would be sent there prior to the event. A number of personnel have remote access so they can work from home. Employees can access voice mail and e-mail messages remotely.
- **Designated Continuity Sites**—NFS employs multiple recovery strategies, including the use of designated continuity sites where there are preestablished, tested procedures for the rerouting of critical hotline numbers. In the event of a site outage, broker-dealers should experience minimal downtime in their ability to contact NFS.
- **Alternate Site Tests**—NFS conducts alternate site tests for its critical functions at least twice per year. Tests include verification of desktops, records, and rerouting of key hotlines.
- **Notification to Clients**—Procedures for notifying intermediary clients have been established for relationship managers and client service managers to follow in the event of an outage. Notification will include information regarding the length of the outage, instructions for contacting client services and relationship management, and support information (e.g., where to send faxes, issues pertaining to data transmissions and communications).
- **Regulatory Reporting**—NFS's business continuity plans are designed to ensure that, regardless of the length of an outage at a primary location, its ability to continue to meet regulatory requirements, as mandated by the SEC, NYSE, and FINRA, would not be impacted.

- **Communications with Regulators**—NFS will communicate with its regulatory authorities regarding the nature and extent of any significant outage at a primary location, as required by applicable law and regulation.
- **Money Movement**—NFS has relationships with geographically dispersed banks to support money movement activities for the necessary settlement activity and regulatory requirements, as well as to support client money movement activities.
- **Testing of Backup Communications**—NFS regularly tests backup communications with critical third parties, including banks and exchanges.
- **Check Printing Backup**—NFS's primary client check printing facility is located in Kentucky. It is backed up by a Pitney Bowes facility located in Connecticut. NFS also supports client check printing with special mail-handling requirements on-site in its New York City office location. This site and that function are backed up by the New Jersey location.
- **Continuity Planning for Wire Transfers**—NFS's wire transfer activity is supported by J.P. Morgan Chase with various elements of continuity planning in place to redirect wire traffic to/from multiple NFS bank locations via a variety of communications technologies. Likewise, NFS's ACH activity is supported by Wells Fargo with the same breadth of continuity planning and routing capability in place.

## TECHNICAL DISASTER RECOVERY

UPS and generators support all Fidelity data centers. Backup files are stored off-site. Fidelity Technology Group conducts periodic recovery tests for the Fidelity mainframe systems—including NFS's primary brokerage system, FBSI, and the National Financial disbursement system, CACTUS/ICP. FBSI is the back-end core system of the Internet-based applications used by NFS's intermediary clients. Key records, such as client data and trading records, are maintained on FBSI. The primary mainframe data center and the alternate data center are in different parts of the country to reduce the probability that both sites would be impacted by the same event. Critical trading and inquiry data stores are replicated in real-time between the primary and secondary sites throughout the day. Backups are run at various intervals throughout the day and electronically sent to the alternate site. These backups capture the online business day and then pre- and post-cycle to capture a complete picture of the applications at the end of a business day and prior to the beginning of another. Based on these tested backup processes, key functions, including the ability to input orders to FBSI, should be available in less than one hour. Full FBSI functionality should be available in less than a day.

## ACCESSING CLIENT INFORMATION

National Financial offers Internet-based and client-server applications, such as Streetscape® and Advisor CHANNEL,® for use by correspondents to access customer information and submit orders. These critical applications have multiple servers in at least two Fidelity data center locations with load balancing and failover capabilities. An outage in one data center may require a user to log on again to connect to a different data center. The location of the data center being accessed is transparent to the user.

## PANDEMIC PLANNING

The NFS strategy is designed to address preparedness and response to a pandemic, with the intent of (1) stopping, slowing, or otherwise limiting the spread of a pandemic to Fidelity sites and its personnel; (2) sustaining infrastructure; and (3) mitigating impact to our critical business functions and our customers. NFS continues to monitor and review the design and testing of all possible workarounds and strategies to mitigate the impact a pandemic outbreak may have on systems. The pillars of our strategy are as follows:

- **Preparedness and Communication**—Activities have been undertaken before a pandemic to ensure preparedness, including the communication of roles and responsibilities to all levels of the firm, management, and individuals.
- **Surveillance and Detection**—Domestic and international monitoring provides continuous situational awareness to ensure the earliest warning possible and to protect the firm as a whole.
- **Roles, Responsibilities, and Response**—Actions have been defined to limit the spread of the outbreak and to mitigate the health, social, and economic impacts of a pandemic.

## CONCLUSION

We hope this Statement of Business Continuity Management helps address any questions you may have about NFS's preparedness in the event of an outage or other disaster. We are committed to safeguarding your customers' assets and your business. While some disasters may be unavoidable, a rigorous continuity plan can often reduce the financial risk. To that end, we recognize that continuity planning demands not only consistency, but also a continued willingness to listen and improve. If you are already an NFS client and have questions, please contact your relationship manager. If you are not a client, please contact our sales department at 800.752.7053. In the meantime, the following are some frequently asked questions.

## FREQUENTLY ASKED QUESTIONS

### **Q: How do I contact National Financial or NFS if there is an outage? Who are the contacts?**

**A:** Please call your client service manager using your regular method of communication. Processes are in place to transfer the Client Service Line number to a site not impacted by the outage. The client service manager will have the current information regarding an outage impacting National Financial or NFS. National Financial would also send Important Notices to correspondents to notify them of a significant issue. These notices would advise of any procedures or contact methods different from those typically followed.

### **Q: Will our customers have access to their funds?**

**A:** A site outage at National Financial or NFS would not impact your customers' ability to have access to their available funds. Customer ability to trade or raise available funds could be impacted by market events outside of Fidelity's control. The tested continuity plans will result in necessary personnel being available to approve transactions submitted via CACTUS for correspondent clients, and in National Financial personnel being available to process the transactions for advisor clients. The backup for the CACTUS system is tested as part of regular mainframe testing. NFS has more than one bank available to process client cash disbursements.

### **Q: Will our customers have access to their funds if a significant business interruption impacts a correspondent?**

**A:** In the event that a correspondent ceases operations, its customers can call the NFS Customer Service Line, which fields calls regarding "orphaned" accounts, at 800.801.9942. However, please note that if a customer of a correspondent that is still in operation calls the Customer Service Line, the customer will be directed to call the correspondent directly.

**Q: How do I place orders if Streetscape is not available?**

**A:** If an order entry application is unavailable, correspondents must use FBSI to enter the order. Correspondents should familiarize themselves with the various FBSI order entry screens to ensure they have adequately planned for the entry of all supported security types and orders.

*Note:* Correspondents should make continuity plans in the event that Streetscape or other Web/desktop order entry applications (Advisor CHANNEL, proprietary applications using National Financial order entry Web services, myStreetscape® Web, wireless, and telephone, etc.) become unavailable to their firm. Their plans should address how they will support orders from customers or professionals in the field.

**Q: What should I do if FBSI is down?**

**A:** In the event of a FBSI outage, users will be directed by technical support to log on to RPLEX Direct to enter day market equity orders under 5,000 shares. RPLEX Direct is found in the 3270 main menu and is accessed with the user's FBSI ID and password. Please reference Important Notice 09-063 for additional details and login information.

**Q: Where can I get more general information about continuity planning and disaster recovery?**

**A:** Many consultants and vendors provide continuity planning services. The following Web sites may be helpful to you:

[www.drj.com](http://www.drj.com)

[www.sifma.org](http://www.sifma.org)



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