

# Trade Error Corrections Supplemental Application



AmTrust E&S Insurance Services  
An AmTrust Financial Company

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**THE LIABILITY POLICY THAT MAY BE ISSUED BASED UPON THIS APPLICATION PROVIDES CLAIMS MADE COVERAGE WRITTEN ON A DUTY TO DEFEND BASIS. DEFENSE COSTS ARE INCLUDED WITHIN THE LIMIT OF LIABILITY AND REDUCE THE LIMIT OF LIABILITY AVAILABLE TO PAY SETTLEMENTS AND JUDGMENTS. PLEASE READ THE POLICY CAREFULLY.**

## Section I – Firm Information

Firm: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

P.O. Box: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Telephone: \_\_\_\_\_ Website: \_\_\_\_\_

Representative authorized to receive notices on behalf of the applicant and all subsidiaries:

Name: \_\_\_\_\_ Title: \_\_\_\_\_ Email: \_\_\_\_\_

## Section II – Trade Error Corrections

1. What is Firm's:
  - a. Daily trading value by total number of trades? \_\_\_\_\_
  - b. Daily trading value by total dollar value (in U.S. dollars)? \_\_\_\_\_
  - c. Median transaction size (in U.S. dollars)? \_\_\_\_\_
  - d. Total number of traders? \_\_\_\_\_
2. What percentage of Firm's daily trading volume is on behalf of:
  - a. Institutional clients? \_\_\_\_\_ %
  - b. Retail clients? \_\_\_\_\_ %
  - c. Proprietary accounts? \_\_\_\_\_ %
3. Does Firm have a formal training program for its traders?  Yes  No  
**If YES, please attach the curriculum for the training program.**
4. In the previous two years, how many traders have voluntarily separated or been terminated from Firm's employment? \_\_\_\_\_
  - a. Name: \_\_\_\_\_
  - b. Termination date: \_\_\_\_\_
5. Does Firm use a clearing firm?
  - a. Name of clearing firm: \_\_\_\_\_
  - b. How long has Firm been using that firm? \_\_\_\_\_
6. Does Firm use an automated, electronic, or computerized program/system to monitor transactions for regulatory compliance?  Yes  No

## Section II – Trade Error Corrections (continued)

7. Does Firm have internal controls, procedures and/ or safeguards (automated and/or human) to prevent:
- a. Allocation errors and investments in restricted securities?  Yes  No
  - b. Trade errors and/or to prevent any trade error(s) from recurring?  Yes  No
8. Does Firm have specific procedures for executing trades over a certain size?  Yes  No
9. Does Firm maintain a formal diary system for documenting client instructions?  Yes  No
10. Does Firm accept:
- a. Verbal trade orders?  Yes  No
  - b. Other verbal instructions from clients?  Yes  No

**If YES to either part of question 10, please describe how often trade orders and/or other client instructions are accepted verbally, the process for documenting verbal trade orders and/or other instructions, and whether applicant records conversations regarding trade orders:**

11. Does Firm perform routine assessments/inspections to identify undiscovered errors?  Yes  No
12. Is Firm's policy concerning trade error losses fully and explicitly disclosed?  Yes  No
13. Does Firm have a formal trade error resolution process?  Yes  No
14. Does Firm maintain a trade error account to offset losses as a result of trade errors?  Yes  No
15. Please identify:
- a. How many trade errors have been detected in the past five years? \_\_\_\_\_
  - b. How many trade errors have required remedies in the past five years? \_\_\_\_\_
  - c. The size (in U.S. dollars) of Firm's three largest trade errors? \_\_\_\_\_

**If any of Firm's trade errors have required a remedy, please attach narrative.**

## Fraud Warning

**Any person who, with intent to defraud or knowing that (s)he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement may be guilty of insurance fraud.**

**ALABAMA, ARKANSAS, LOUISIANA, MARYLAND, NEW JERSEY, NEW MEXICO and VIRGINIA:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an Application for insurance is guilty of a crime. In Alabama, Arkansas, Louisiana and Maryland, that person may be subject to fines, imprisonment or both. In New Mexico, that person may be subject to civil fines and criminal penalties. In Virginia, penalties may include imprisonment, fines & denial of insurance benefits.

**COLORADO:** It is unlawful to knowingly provide false, incomplete or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

**DISTRICT OF COLUMBIA, KENTUCKY and PENNSYLVANIA:** Any person who knowingly and with intent to defraud any insurance company or other person files an Application for insurance or statement of claim containing materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime. In District of Columbia, penalties include imprisonment and/or fines. In addition, the Insurer may deny insurance benefits if the Applicant provides false information materially related to a claim. In Pennsylvania, the person may also be subject to criminal and civil penalties.

**FLORIDA and OKLAHOMA:** Any person who knowingly and with intent to injure, defraud or deceive the Insurer, files a statement of claim or an Application containing any false, incomplete or misleading information is guilty of a felony. In Florida it is a felony to the third degree.

**KANSAS:** An act committed by any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an Insurer, purported Insurer, broker or any agent thereof, any written statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for personal or commercial insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto is considered a crime.

**MAINE:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties may include imprisonment, fines or denial of insurance benefits.

**NEW YORK:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation

## Fraud Warning (continued)

**OHIO:** Any person who, with intent to defraud or knowing that he is facilitating a fraud against the Insurer, submits an Application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**OREGON:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance may be guilty of a crime and may be subject to fines and confinement in prison.

**TENNESSEE and WASHINGTON:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties may include imprisonment, fines and/or denial of insurance benefits.

## Representation Statement

I hereby apply for a policy of insurance as set forth in the application and I declare that all information contained in this application is correct and complete to the best of my knowledge and belief. I understand that any policy which may be issued by the company will be issued on the basis of and reliance upon my statements in this application. I agree that such policy shall be null and void if such information is false, or misleading, or would materially affect acceptance of the risk by the company.

The signing of this application does not bind the undersigned to purchase the insurance and accepting this application does not bind the Insurer to complete the insurance or to issue any particular policy. If a policy is issued, it is understood and agreed that the Insurer relied upon this application in issuing each such policy and any endorsements thereto. The undersigned further agrees that if the statements in this application change before the effective date of any proposed policy, which would render this application inaccurate or incomplete, notice of such change, will be reported in writing to the Insurer immediately.

The Application must be signed and dated by a Principal, Partner, Managing Member or Senior Officer of the Applicant. Electronically reproduced signatures will be treated as original.

### Applicant:

Print Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Title: \_\_\_\_\_ Date: \_\_\_\_\_

**I hereby declare that all the information contained in this application is correct and complete to the best of my knowledge and belief, that the application was complete and personally signed by the applicant and that a completed copy hereto has been given to the applicant.**

Name of Producing agency: \_\_\_\_\_

Signature of Producing Agent: \_\_\_\_\_ Date: \_\_\_\_\_

**SIGNING THIS APPLICATION DOES NOT BIND THE APPLICANT OR THE COMPANY**