
ANTITRUST COMPLIANCE POLICIES AND PROCEDURES

The federal and state antitrust laws of the United States prohibit agreements, combinations and conspiracies that unduly restrain trade and the independent decisions of market participants. Such agreements need not be written, explicit or formal; agreements, combinations and conspiracies can be oral, informal, express or inferred from circumstantial evidence of collective decisions and parallel action.

The antitrust laws recognize that trade associations make many contributions to the economy and industry that frequently require collaborative efforts to maintain fair, efficient, and transparent markets. However, because trade associations like The Security Traders Association of New York, Inc. ("STANY") are, by definition, comprised of competitors, it is particularly important to avoid inappropriate activities, or even the appearance of impropriety, when such competitors come together. Members must be mindful of the risk that collaborative activity could lead to, or provide a basis for inferring, agreements that may raise antitrust concerns.

Violating the antitrust laws can be a felony offense carrying severe financial penalties for companies and individuals, as well as imprisonment for individuals who participate in the violation. The antitrust laws can be enforced against associations, association members, and the association's employees by both government agencies and private parties (such as competitors and consumers) through treble (triple) damage actions. The costs of defending criminal and civil claims alone can be substantial. An executive who attends a meeting at which competitors engage in illegal discussions may be held criminally responsible, even if he or she says nothing at the meeting. Attendance and silence may be cited as evidence of acquiescence in an illegal agreement, potentially exposing the executive to liability even without active participation in the discussion.

Some activities by competitors are deemed so pernicious and harmful that they are considered *per se* antitrust violations. These activities are unlawful without proof of actual harm to competition. These include price fixing, allocation of customers or territories, bid rigging, and certain group boycotts. No discussions from which any *per se* illegal agreement could be inferred should be held at any STANY committee, Board of Directors (the "Board"), or membership meeting.

Other actions frequently taken by associations, such as standards development, certification programs, and relationships between distributors and suppliers, generally are evaluated under the rule of reason, which weighs the pro-competitive and anti-competitive effects of the activities. The pro-competitive effects must outweigh the anti-competitive ones. Good intentions alone are not sufficient. Conduct that in some respects restrains trade can nevertheless be lawful if, on balance, it promotes rather than suppresses competition. These areas also should be approached with caution and legal guidance.

Sharing non-public, competitively sensitive information about prices charged for services rendered, business plans, marketing plans, new product development, costs, and profits can raise antitrust concerns. While some types of information exchange, such as stock quotes and spreads, can be pro-competitive,

other exchanges may suggest an agreement to restrain trade. Relevant factors include whether the information is being collected by STANY or another third-party and will be disseminated without identifying individual data providers; whether the information is historical data or reflects current or prospective prices or costs (historical data exchanges are less likely to raise antitrust concerns); whether the data providers constitute a significant share of the market; and whether the data is already publicly available.

STANY members, in connection with STANY activities, may meet to discuss issues of concern to the industry and to prepare, adopt and present positions to influence the passage or enforcement of laws or regulations. Joint action by competitors to develop and articulate positions to be communicated to the government for the purpose of influencing government action is generally protected from antitrust liability under the “Noerr-Pennington” doctrine. Joint petitions to influence regulatory standards of self-regulatory organizations (“SROs”) may not in all cases be immune from antitrust scrutiny under the Noerr-Pennington doctrine. Therefore, SROs are best viewed as segments of the industry with which STANY can join in petitioning for governmental action.

STANY’s policy is to comply strictly with all applicable federal and state antitrust laws, rules and regulations. Accordingly:

1. These policies and procedures apply to all membership, Board, committee, and other meetings of STANY, and all meetings attended by STANY representatives.
2. Do not discuss any elements of a company's operations that might influence prices, such as:
 - i. Cost of operations, supplies, labor or services;
 - ii. Allowances for discounts;
 - iii. Terms of sale, including credit arrangements; and
 - iv. Profit margins and markups; provided that this limitation does not extend to discussions of methods of operation, maintenance, and similar matters in which cost or efficiency is merely incidental.
3. Agreements among competitors not to compete can violate antitrust laws. Accordingly, discussions of dividing territories or customers or limiting the nature of business conducted or products sold are not permitted.
4. Discussions relating to group boycotts are prohibited under these policies and procedures. This prohibition includes discussions about blacklisting or unfavorable reports about particular companies, including their financial situation.
5. At any meeting attended by a STANY representative, if a discussion approaches an area of antitrust sensitivity, the representative must request that the discussion stop and that the request be recorded in the minutes. If the discussion continues, the representative should leave the meeting and request that the minutes record the departure and the reason for it. Any such instance should be reported immediately to STANY’s President and CEO.

6. These policies and procedures apply regardless of whether discussions among competitors take place in person during formal committee, Board, membership, or other meetings or during informal conversations that precede or follow formal meetings. Substantive discussions concerning the work of a committee or the Board should be strictly limited to the matters set forth in the approved agenda and, to the extent practicable, restricted to formal meetings.
7. STANY will provide a copy of these Antitrust Compliance Policies and Procedures annually to each member of the Board, including ex officio members and official Board consultants, and to each officer, committee member and employee. These policies and procedures must be read or otherwise communicated at all STANY membership meetings to ensure that attendees understand them.