MEMORANDUM

To: All Members, Members Organizations, Participants and Participant Organization

From: William A. Bunting, Director Examinations

Re: Phlx Rule 757
Anti-Money Laundering Compliance Program

Date: January 26, 2006

This memorandum is intended to inform Philadelphia Stock Exchange (“Phlx” or the “Exchange”) Members, Member Organizations, Participants and Participant Organizations (collectively “Member Organizations”) of a change to the required frequency of independent testing of a Member Organizations Anti-Money Laundering Compliance Program. As Phlx Rule 757 – Anti-Money Laundering Compliance Program is only applicable to certain Member Organizations, this memorandum is intended specifically for those Member Organizations for which the Exchange is the designated examining authority (“DEA”).

In prior correspondence to Member Organizations, the Exchange stated that annual inspections were required by Phlx Rule 757(3) for all Member Organizations. However, based on consideration of the rule, federal regulations, and recent interpretations of similar rules by other self-regulatory organizations, the Exchange wishes to clarify that, going forward, annual inspections are only required to be conducted at Member Organizations that conduct a business with public customers¹, while bi-annual inspections are required for Member Organizations that limit their business to proprietary trading and/or trading exclusively with and for other brokers or dealers registered with the United States Securities and Exchange Commission.²

Member Organizations are encouraged to contact the Exchange’s Examinations Department for clarification and further assistance regarding their specific anti-money laundering compliance programs and related written procedures. General questions regarding the USA PATRIOT Act, anti-money laundering, compliance programs, or Phlx Rule 757 should be directed to William Bunting, Director, Examinations Department at (215) 496-5401.

¹ A Public Customer is any person or entity that is not registered as a broker or dealer with the United States Securities and Exchange Commission. Examples of public customers are hedge funds, trust companies, insurance companies, individuals, etc.
² Member Organizations may begin utilizing every other year inspections starting in 2006.