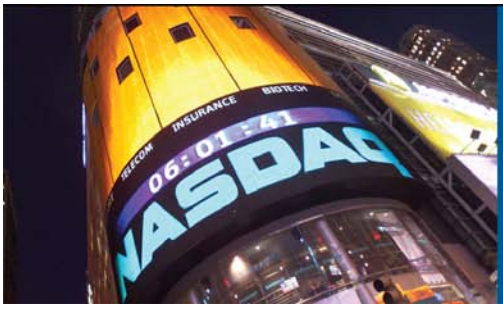
Ted: Well, great. It's a wonderful turn out and thank you for joining us. I'm Ted Myerson, head of FTEN. At one point NASDAQ was the only electronic securities market and now you have multiple exchanges, ATSs, dark pools, internal crossing engines. And why that's important to reflect on is because risk management now requires new attitudes and perspectives to achieve business goals and comply with regulations. And FTEN is very happy to be part of NASDAQ's commitment to unconflicted risk management solutions that cover all markets and all venues. And we're also happy to cosponsor this event with FIF to figure out practical implications of the SEC's Market Access Rule.

So without further ado I'd like to turn this over to Tom Jordan, who's going to give us a brief overview of the FIF and its game plan.

Tom: Thanks Ted. We had a meeting here in this room on December 14th of last year and two people cancelled the week before the event, which is not a good feeling. One was Ted, Ted Myerson, and the other one was Stuart Breslow who ran Townsend Analytics. Well, they both had good reasons. It was the day that Ted's company FTEN was acquired by NASDAQ and Stuart's company was acquired by ConvergEx Group. So pretty good reasons. So I told them, I said if you ever get acquired, if anyone here ever gets acquired, it's okay. You don't have to show up for the panel. But anyway we had a great panel anyway. And at the end of the panel, and Donald Bollerman, who is here today, of NASDAQ was on a panel and we talked about risk. And at the end of the session people said this is a bigger deal than we thought. We really have to address it. And NASDAQ was kind enough to put on this session which we're having tonight, and put it on twice because remember last week. We had it scheduled also and thank goodness they made the call today to have it tonight, so we thank NASDAQ for jumping on that issue and addressing it because it's a huge issue.

A couple words on FIF. FIF is a group of 81 companies that come together in a forum, about 1900 people involved, and it addresses issues on the practical implementation side of industry issues. It's not a policy-making body, but when you get into implementation issues you do get into issues which affect policy. So we talk to the SEC all the time, to FINRA all the time about if you do it the following way it could help implementation. So we



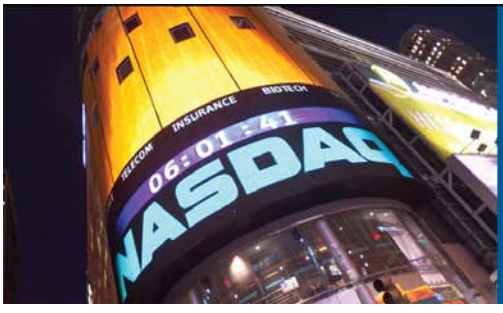
do it through certain committees. It's the only group that has broker-dealers, exchanges, and utilities and vendors as part of it because if you look at the overall way of getting things done in this industry, you can't do it just by broker-dealers or by vendors, by exchanges. It's the team working together. And so, we do it through certain committees. We have a Front Office Committee that's very active. Multi-Client Back Office includes all the service bureaus, all the clearing firms, the major clearing firms. Short Sale, one of our favorites, it's coming up the end of February. Market Data Capacity, it's the group that has the official information on what the capacity is. Latency is being added to that and you'll see that there's a Latency Group on March 22nd. And we're going to be tying latency into regulation and we'll get some of that on the discussion today. A partnership with FIF that John Goeller is very involved in. The combination of OATS and OTS, now finally coming together. Market Access. Symbology comes and goes. It never goes away. It comes back. Cost Basis. And then we have a lot of reports associated with the group.

We had a Market Access Working Group meeting two weeks ago and we came up with two issues at that meeting. We have another meeting on Thursday. One of them had to do with the scope of the rule, which we'll get into today, and it was much more broad than most of us thought it was. And a question that Manisha Kulkarni, who runs FIF with Arsalan, is not here today, but she's talked to the SEC this week about certain issues; one was whether allocating risk was acceptable and it's just a lot more topics associated with that. And so, today there's two topics. We're going to be adding them to the list and we'll be tracking the issues and tracking the resolution of them and encourage all of you to participate in them as we move forward.

So with that let me turn it back to Ted.

Ted: Thanks, Tom. And as he mentioned, there is a very good Market Access Working Group that for those who want to continue to stay involved and educated on the event, definitely recommend that you join into that regular schedule that's going to be there.

So now I'd like to turn this over to tonight's event and the panel. And to Jerry Citera, who is going to be moderating the panel and who will introduce each of the members. So thank



you, Jerry.

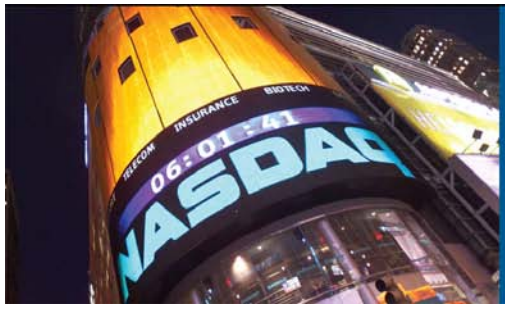
Jerry: Good evening and welcome. My name is Jerry Citera. I'm with the law firm Davis, Polk & Wardwell. We are actively involved in the implementation of this rule. We represent the SIFMA committee that meets and discusses the implementation issues.

On the panel tonight we have some very distinguished panelists. Starting at the far end of the table, Larry Tabb, who is founder and Chief Executive Officer of The TABB Group. Next to him is John Jacobs, Director of Operations and Chief Operations Officer for Lime Brokerage, and then John Goeller, who is the Managing Director, Global Execution Services for the Bank of America.

The format of the presentation tonight is going to be as follows – I'll give a brief summary of the rule. We want to discuss basically five broad areas; the applicability of the rule, the implementation issues surrounding the rule, requirement for exclusive and direct control (that's a main part of the rule), the impact of the rule on the markets, and annual review and certification process. But we also want to open it up to questions from the floor. And those are the broad topics but we'll be talking about a lot of specific issues encompassed in those topics.

I think the format is that they will be passing out or there are cards available, index cards, and that you should write out questions on those index cards. After we go through the introduction, we're reserving a lot of time at the end to answer those questions and any other questions that come up from the floor. Then, the most important part, there will be a reception after the presentation.

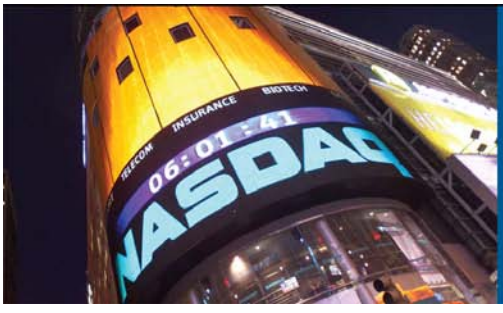
So what is the rule? On November 3, 2010, the SEC adopted Rule 15c3-5. The current effective date for the rule is well the rule is already effective, but the current implementation date is July 14th of this year. The rule displaces existing SRO rules on the topic of market access, but imposes a standard that basically increases the responsibility of the broker-dealer providing access to require direct control by those broker-dealers. The rule ostensibly relates to direct market access and sponsored access, but in reality it has



been drafted much broader than that in its application and the implications of the rule. The rule requires any broker-dealer providing market access to customers or other persons on an exchange or ATS to establish document and maintain a system of reasonable controls, risk management controls and supervisory controls designed to systematically limit the financial exposure that direct access to the markets could cause. And secondly, to ensure compliance with all regulatory requirements that are applicable in connection with the direct market access. The rule is a policies and procedures rule. It's not a one-size-fits-all rule. It's basically written so as to apply to the different trading systems, business, and customers of the individual firms. As noted before, the rule applies to a broad range of activity, it is not limited to direct market access or sponsored access, but also covers traditional agency brokerage relationships with customers and proprietary trading. So in essence it covers any access to the marketplace.

The rule is applicable to a broad range of securities; again not just applicable to equity securities, but options, ETFs, debt securities, and securities-based swaps when they become traded on exchanges. The required financial risk management and supervisory controls must be reasonably designed to prevent the entry of orders that exceed preset credit or capital thresholds in the aggregate counted on an individual customer basis. They're also meant to prevent erroneous entry of transactions, i.e., fat finger transactions, but it's not limited to fat finger type protections. It's really a credit rule. The order-based credit determinations are based on an order rather than on an execution basis so the credit risk that orders expose the broker-dealer to must be accumulated rather than just the exposure to the executions. And we'll talk about it a little bit later. I believe that there are some limitations on that whereby you can apply certain algorithms to determine what the execution of orders, likely execution, but in essence those checks have to be on an order basis. It's a customer by customer credit risk analysis, a trading desk by trading desk analysis, and it requires automated pre-trade checks before the orders can be placed in the marketplace to prevent any potential risk to the market.

The second part of it is required controls must be reasonably designed to prevent entry of all orders unless they're in compliance with all regulatory requirements. So it requires checks and balances in the beginning with respect to pre-trade regulatory requirements

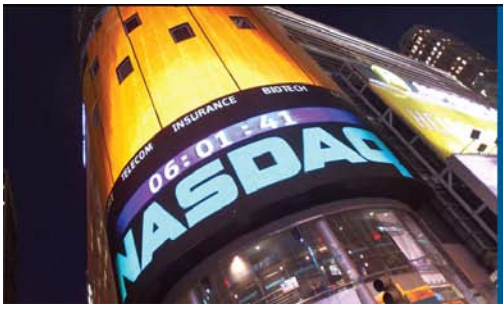


including short sale, marketing and locate inter-market sweep orders, and NMS order marking. It includes post-trade analysis of all other regulatory requirements such as fraud, manipulation, and other broad-based securities rules. There are three other additional requirements from a supervisory perspective, first to prevent entry of orders with a broker-dealer or a customer. A specific customer is restricted from trading either in a particular market such as options or in a particular security. The procedures are required to restrict access to technology to authorized people. And finally, they are required to assure delivery of appropriate surveillance reports, immediate post-trade surveillance reports for compliance with the pre-trade requirements and then prompt trade surveillance reports or other reports later in the day.

Probably one of the most important aspects of the rule and the reason why it replaces the existing SRO rules that are in place right now is that it requires that the regulatory and supervisory controls be under the direct and exclusive control of the broker-dealer providing market access with very limited ability to allocate responsibility to a registered broker-dealer under very limited circumstances, which include having a written agreement allocating responsibilities, performing adequate due diligence on the broker-dealer that's being sponsored to make sure that they have effective systems that can control and prevent problems in the marketplace, periodic review of the order entry broker to make sure that they stay in compliance with the rules. And there's very limited and tight restrictions on that allocation of responsibility.

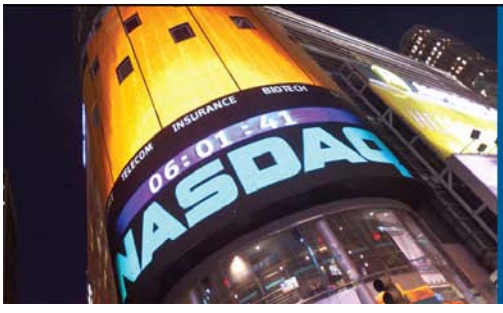
And the final aspect of the rule, which I think is also significant, is that the broker-dealer providing access must establish a process for reviewing on no less than an annual basis the firm's policies and procedures and compliance controls to make sure that they're in accordance with the rule. And then the CEO must certify annually the effectiveness of the procedures and controls and that the annual review process has been completed.

There's a number of very specific requirements. As we talk about the rule we'll get into more of the details. But as you can tell from the introduction, this is not a rule that is limited to market access. It's basically a rule that appears to be intended, and probably expressly intended, to cover risk management and supervisory controls at all broker-dealers who



have access to market – and provide access to markets. And because of that it raises a number of different questions and concerns. And I'd like to kick it over to the panelists to start to talk about it. And Larry maybe the first thing we could talk about is the broad application of the rule.

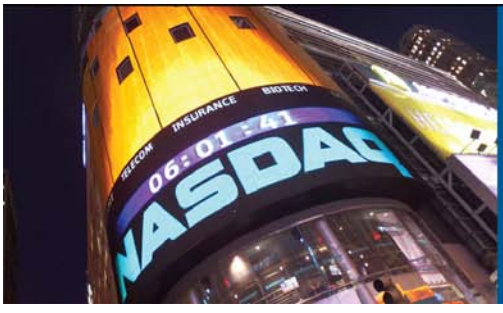
Larry: Okay. Sounds good Jerry. Yeah I think when people were thinking about this rule, at least the way I was thinking about this rule initially, was this is a sponsored access rule. This is supposed to clamp down on high frequency trading. These guys put in lots of orders into the market, cancel a bunch of them, to make sure that somebody doesn't blow up. And the whole idea that oh, okay, yeah, should the broker really take a look at each order before it goes into the market of an HFT so that he doesn't blow up the market. And I had some reservations about even doing that, but generally by in large I think everybody was pretty okay with making sure that these HFTs didn't blow up the world. But it seems like what we got was actually a whole new treatise on how everybody, every order, not just HFTs but how everyone accesses the market. And so, the person submitting the order into the market needs to be responsible basically for the risk checking, as well as the credit checking and the financial checking of every order that comes into the market. And in effect what that means is that if you're sending an order to someone who is sending an order to someone who is sending it to an aggregator who then sends it into the market, that person three channels down the road needs to know who I am, what my credit limit is, and whether I've over extended it or not. And it's not just on HFTs. It could be on just traditional long only order flow. And to a certain extent I'm not sure that information is even in the market and whether to a certain extent traditional buy side traders actually want that information to go three levels down because a person who's responsible for submitting that order into the market really needs to know who you are and what your credit limit is. And that presents a significant challenge. Besides knowing what my credit limit is, but being able in effect to make sure that my policies and procedures and risk management services are on an annual basis implemented. Then what that tells me is because all of this credit checking going on, the whole wholesaling business and the whole issue of aggregating even sponsored access, this certainly disaggregates because if I'm a CEO of a firm and I have to personally sign off on this stuff, I don't know if I want to take that responsibility. And so, do I even want to do that? And then the second thing is that if I am someone who



wants quick sponsored access, is it worth it for me to actually go create my own broker-dealer so that I don't even have to worry about this whole thing. So one of the things that I was worried about and while everybody said, oh, sponsored access, naked access is bad and we should have everybody pre-trade risk check all of these sponsored access, my concern was that you're going to create incentives for all of these high frequency firms to create their own broker-dealers. And I think that the way this rule is written, we're going to have a whole new slew of creation of broker-dealers. And to a certain extent all you need – the only credit – you only need about $50,000 worth of capital to be a clearing member of DTTC. And if you go home flat every day and you're an HFT and you can eliminate this whole issue of double checking and letting everybody know your positions and your credit limits, besides spend the 50,000, become your own clearing member and forget about all this stuff. And then what happens is you wind up with a whole bunch of thinly capitalized broker-dealers who generally go home flat, except for the day they blow up, in which case John has to pick up the whole bill. Both Johns have to pick up the bill because I assume that they have a longer business model than an HFT guy who just wants to trade as long as they make money and when the strategy doesn't work anymore they shut it down. So I think this rule could be extremely problematic. I don't know. I'll pass it off to the Johns.

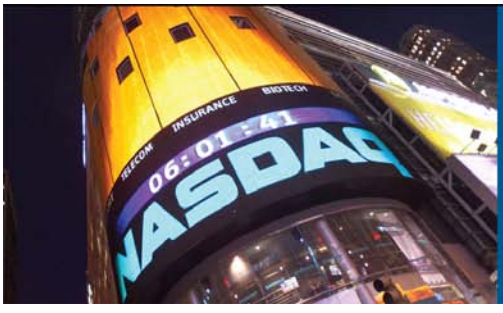
John J.: Okay. Actually Larry you brought up a good point that segues right into where I'm going. First of all, I'd like to thank NASDAQ and the FIF for hosting us at this well needed forum. But I'm going to touch on two areas. First of all, I want to just touch on implementation, but I'm really going to slant it to allocation of responsibility and tier aggregation, what Larry was just alluding to, and also the requirement for exclusive and direct control.

First of all with respect to allocation of responsibility, I think most people are generally aware in the rule that there are two general areas of items that can or cannot be allocated. The first are the compliance and regulatory risk management duties. They can be allocated under certain circumstances. But the financial risk management controls cannot be allocated. When you do allocate certain controls there needs to be the allocator, the market access provider. The entity that owns the MPID can allocate certain responsibilities, but the responsibilities that they can allocate have to be clearly enumerated in writing, need to be some supervisory controls and periodic review in place.



The checks really, in essence, or after the fact checks, in some respect look a lot like the 3012 obligations. At some point even putting a CEO certification requirement in place for those. The interesting thing is for what can't be allocated with respect to the financial controls. The financial risk management controls that cannot be allocated are, in essence, the fat finger checks, that is the number of shares that can be input, the maximum price, as well as credit and financial controls, which really aren't defined. Speaking to some people at the Commission, I get the impression that it was intentionally not defined. Certain type of business would have certain type of appropriate controls. In the high frequency trading area, day trading buying power, portfolio margin are reasonable checks. Perhaps on a long only fund that might not be the appropriate type of check and maybe you're looking more to settlement type, risk type of control.

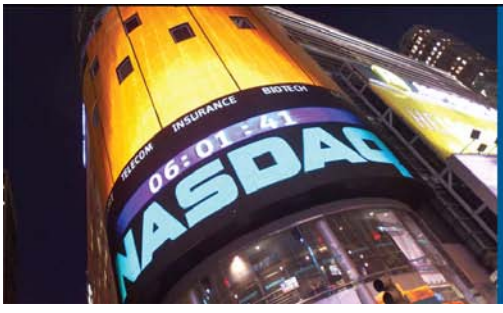
But in the area of unintended consequences, and I take a little bit of exception to what Larry say with respect to a whole lot of new broker-dealers being started. The prohibition on allocating financial controls in a certain regard really prohibits the process of tier aggregation. And when I'm talking tier aggregation I'm being very specific. Tier aggregation, when one broker-dealer that owns an MPID, lends the MPID to another broker-dealer so that broker-dealer can go into the market directly under their own technology, their own telco, under someone else's membership. There are a variety of reasons to do that, but in the world today the real reason to do it is to get best tier rates that are out there. For example, NASDAQ, the base rebate that one can receive is 20mils for adding liquidity. If you're at the super tier, the best rebate that one can receive is 29.5mils. That's a 47.5% increase in rebates. So when we're looking at clearing costs these days, which in certain scenarios can go below a mil, in some cases well below a mil a share, while one could become a broker-dealer for 50,000 a year or if one says becoming a prop BD for a couple hundred thousand a year in net capital, however, if you want to get the best rates out there you may be able to clear or let's even say, I'll be nice and say just at a mil a share, you may be able to clear at a mil a share, but you're going to be giving up 9.5mils a share starting in July if you're not aggregating with someone else. But if you're aggregating with someone else and you're an HFT, what are you going to do? You're going to have to either go through another aggregators, not just MPID, but their system itself. And if you've been going naked access direct to the markets today, you're



giving up, let's say, 10-20 microseconds of latency, maybe less than that, but somewhere in that ballpark. If you're going through another aggregator, and if they're an aggregator they probably don't have the fastest systems out there, so you might be giving up hundreds of microseconds, if not a millisecond to get directly to the markets.

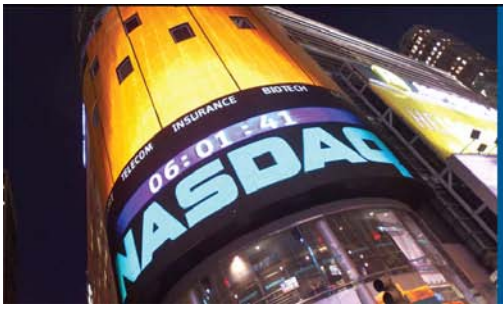
So where are today aggregators? Lime participates in the aggregation business. Whether we run an aggregation consortium or we participate in an aggregation consortium, our customers will not accept going to the markets via someone else's infrastructure. They need to go through our infrastructure. They're not willing to take a hop. For other customers that go through an aggregator, if they're HFTs, and if they're just trading under another clearing firm's MPID, for example, which is default aggregation to get the best rebates out there, they're going to be out of luck. The market access provider is going to need to have direct and exclusive control over the financial controls that are espoused in the rule, being fat finger checks and net credit checks. By net credit checks, what I mean is, the rule alludes to a customer and the financial controls. And it wasn't quite clear to me reading the rule a few hundred times whether the customer they were talking about is my end customer as an agency broker or if I'm participating in an aggregation consortium whether they're talking about all of my activity bundled together so that if I'm trading under someone else's MPID, and in the new world post July 14th going through their system, am I treated as the customer. In a dialogue with the Commission, which was really facilitated with the FIF, again thank you Manisha, the customer that they're really referring to is the end broker-dealer customer. So not my end customer, but all of my activity in aggregate is the end customer. So if I want to really participate in a tier aggregation consortium post 15c3-5, can I do it? I probably can, but here are the constraints put out of the rule. All of the activities got to go through the systems of the market access provider that are under their direct and exclusive control. The systems also got to be able to prevent the entry of orders that exceed appropriate preset credit or capital thresholds, credit checks, and it's got to prevent the entry of erroneous orders by rejecting essentially duplicative orders.

So can one participate in tier aggregation? Probably, but it's going to operate a lot differently than before. As opposed to presently or previously calling up my clearing firm and say, yeah, can you give me a new MPID. I have a customer that wants to go direct or



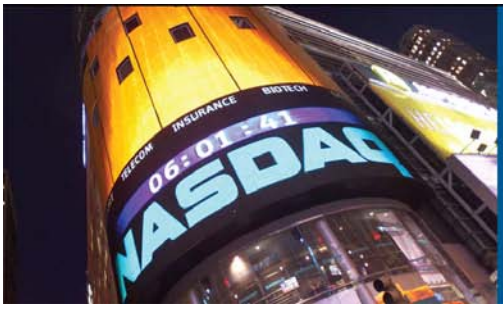
co-locate at NASDAQ. And they, sure here is the MPID, here are the port details, go for it. Have them connect. That's not going to work anymore. If I'm using someone's MPID, they have to have direct control over it. They need to be able to turn off the flow. I can't give them a back door into my system and say, oh, you can turn it off because then I also have control over it. They are the ones that have that control. And they're the ones that have to have capital thresholds on all of my activity if they're treating me as the customer. What exactly is that credit threshold? Is it all my activity? Is it just my committed positions? Is it settlement risk? Again, the rule doesn't define it so I would more say look at it what's appropriate type of threshold. But my tier aggregation is going to change a lot and unless you work for probably a few of the very well known firms out there that are getting top tier organically, not inorganically via aggregation, but organically, you're going to need to change the way you're doing business. Can you do it if your not HFT? Yeah. But in the world of HFT, and that's 60-70% of activity as a lot of Larry's research points to, then we're going to need to change the way we do business to get the best rates out there because my customers aren't going to be doing business with me if I said, you know how you were getting 29.5mils in your activity yesterday, well you're now only getting a rebate of 20. When you talk about a clearing cost of one or sub-one, 9.5mil share difference is absolutely monstrous.

I'm now going to just briefly touch on direct and exclusive control. The rule talks all over the place about direct and exclusive control. The rule, interestingly enough, doesn't really define it. In the adopting release it even says clearly that they're intentionally not defining what direct and exclusive control is. I think it's pretty clear that if you're an end customer that you can't just go to your broker-dealer or your clearing firm and say, here's my risk management system I developed to trade my own stuff. You now have access to it, so you can look at it and disable my trading. The Commission was very clear that is not direct and – that may be direct, but it certainly isn't exclusive. Customers cannot give their risk management systems to their sponsors, to the broker-dealers that they're executing through, etc. That just doesn't feel – that just doesn't fit the bill of having exclusive control. However, if there's also a material business relationship, as discussed in the adopting release, that could also perhaps violate exclusive control. They give a couple of examples in the adopting release, but there isn't a clear line what is and is not direct and exclusive.



And it's something I think a lot of us are really going to have to wrestle with. I think most of us really understand what the intent of the rule is, but I think there will be certain entities, which may try to play with it a little bit as to what is exclusive. From my point of view I think it's pretty clear that they want the risk management system that is used – it can be provided by an independent third party, but it's got to be absolutely independent of the end customer.

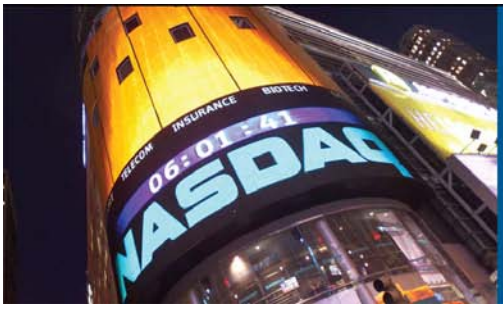
There is an interesting place, though, where you start bumping into what is exclusive. We ran into this ourselves at Lime when we were developing some new trading technology, and that is, we're calling it at Lime the one-box solution. If you're coming up with a pure software solution and you hand it off to your customer, if you tell your customer, load my risk management software on your box, it will have all the risk management controls that the Commission says should be in there. It'll even have more. It'll do everything for you. Is that direct and exclusive control? At Lime, we sort of – when we were developing our latest product – I'm not trying to taut our product here though it may sound like I am. But when we were developing our latest product the issue we were grappling with, we were initially running with it. I'll throw the name out of it not because I'm marketing it, just to show you what our thought process was. We were calling it Lime Inside. Yes we're piggybacking on someone else's marketing, but our thought was you're going to have Lime Inside your box directly. Our software will be there, whether it's software or it's on a card, it's going to be sitting inside of your box. And we passed this off to a couple of customers and they said, well, you're not doing this basically pure software because if you do it pure software it would take an expert, but my customers say, not me, I am an expert and I'll decompile your code, reverse compile your code, figure out what's going on. I'll spoof your order checks because I will now know what your code does and I'll go naked into the market and you'll never know that I'm going naked because I'm not going to violate the rule because I don't want to violate the rule. I just want to eliminate all latency possible and go naked. So you'll think you're looking at my activity because you'll be getting messages telling you that you're seeing it, but you're not. Customer said this and I had one of my – I had a couple of my technologists on the conference call as well. Their jaw just about hit the ground, as they're shaking their head, yep everything this guy is saying is absolutely true. I spoke to my head of production engineering. I said where do you draw the line of demarcation?



Exclusive and direct is a pretty high threshold in some sense. A customer could come into my office physically with a gun and tell me to enter an order and that violates direct and exclusive right there. If I don't have a bulletproof glass like at a bank, someone can hijack my order validation process and I don't think the Commission was looking to take it to that level. But the line of demarcation we saw was root access on the box. Root access, a Linux term. In the Windows world, an administrator. So one has control over the operating system on the box. If you are in the driver seat on that piece of hardware, we at Lime at least feel that you then have direct and exclusive control. So if you can convince your customer, let me load it, my software on your box, I have administrator root access, you do not, then in my view you have direct and exclusive control.

I think that's probably going to be a hard sell to a customer to say, I have your order generating code. I have access to it and you don't. Has the Commission opined on any of this? No. And they're not going to. If someone gives them a no action letter spelling out a fact set, they may opine on it, but the Commission was very explicit, again courtesy of the FIF, saying that they're not going to get explicitly in the realm of making technology decisions for people. They'll say what the parameters are and they've laid out somewhat clearly what the parameters are for direct and exclusive. And I feel with the one-box solution that there are some issues that one's got to get across. Again, you're not going to look in the adopting release and see where they say, if you're running a Linux operating system that the market access provider's got to have root access. But I think the interpretive action, no action letters, eventually the SEC, FINRA, and the other SROs will probably define it a little bit better, but I think one needs to look at the intent of the rule.

Jerry: Just to raise a question on that last point. Isn't that the idea of control? That you actually – whether or not it's physically sitting in their office or it's on your servers, if you control the access so that they cannot go in and change the system and they can't circumvent the controls and parameters that you have. But if you meet that intent, like you're saying, and it doesn't really matter where it's physically sitting but you are the ones who control what happens.

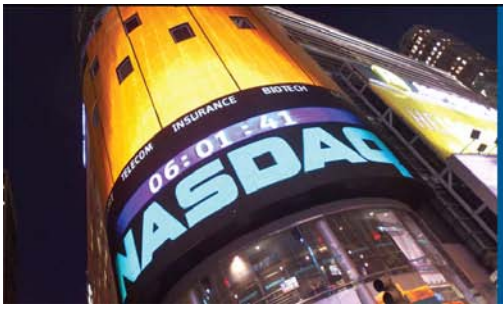


John J.: That's absolutely correct. It doesn't matter where you're sitting, but it matters how you've implemented it, implemented the control. A pure software solution where the customer still retains root access to their box, again my techies and some of my customers that I polled said, your average techie couldn't do it, and maybe they're inflating their own self-worth, but they said, you need to be an expert hacker. But I heard three people say I am an expert. Maybe they didn't use the word hacker. But I could reverse compile this code in a couple of days and it might take me a little bit longer to spoof it but give me a few weeks and I could absolutely bypass what you're doing and you would never know. So I agree. I think it's all about the intent of the rule.

Jerry: Because I think where this comes up with the easy answer is to become a broker-dealer. But that's probably not where most firms are going to go. They're going to look at deployment options. They'll look at implementation options. Like you say, it's either it goes on your box or the other way around, the client's software support on our box. But either way around the deployment and implementation issues, who has root access on the box. And I think those are things to be determined because it's going to be really difficult, and I'm not sure how it's going to happen, where we look at compliance of these solutions. How the regulator is going to come in and say that's acceptable or that's not. I think it's going to be a little bit of a challenge because they're sort of staying away from the implementation issues of 15c3-5.

John J.: Agree. I think there will be various parties I believe writing the Commission for no action letters, so Lime among them, to clarify certain positions that work for or against our business model. But frankly we've made certain development decisions based upon what we felt were reasonable controls. And I think even what Larry brought up earlier with respect to, again 50,000 bucks does let you start a BD. The question is, is it a BD that you can really run a high frequency trading strategy out of – and if you need to be capturing the best rebates, perhaps not. So that's really where it all comes full circle with respect to allocation and responsibility and direct and exclusive.

Jerry: Can I ask another question on, particularly on that broker-dealer point? Does it really accomplish anything to set up a broker-dealer because you cannot give away the credit



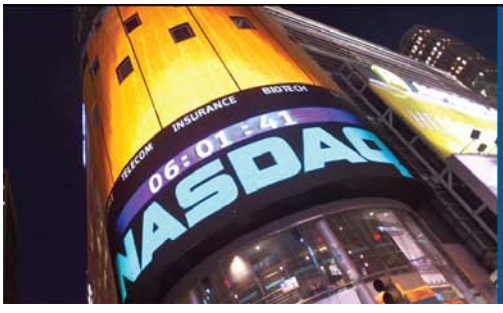
controls according to what you said and I think that the rule says it. And in addition to that, even if you give up control, you have an obligation from a due diligence perspective and a written contract agreement to monitor and control what goes through your firm. So in essence basically a broker-dealer doesn't get away from the controls and doesn't get away from the overseeing and surveillance obligations by being independent because if it's still using your access you have independent and additional responsibilities with respect to that flow.

John J.: That's a good question. I'm going to table the financial control aspect of it because there are a variety of firms looking to address it. But yeah there are still advantages to becoming a broker-dealer. I think one of the cases is on the NYSE. They're a certain type of order types that only broker-dealers get designated market makers, ELPs, have access to. So if you can do that validation, that's an appropriate order type that you can send yourself, you definitely have a latency edge.

Jerry: And this pretty much flows into the next really big issue and that's implementation; what it's going to take, whether the industry will be ready, and the problems that people are facing. And John I'd like if you could address those issues.

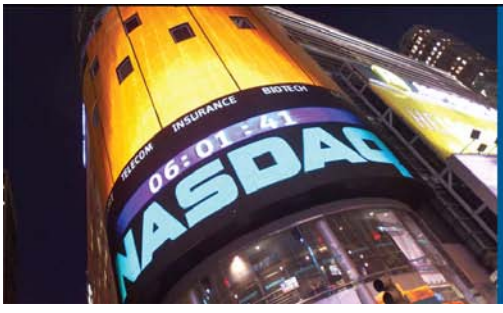
John G.: So I think that the good news there's, as Tom mentioned, there's FIF, there's SIFMA, there's a number of groups sort of looking at the market access rule and clarifying some of the things, and I don't think everything is going to be clarified, but certainly there's a number of open questions that still exist. SIFMA specifically is working pretty diligently with the regulators to get answers on a lot of these areas. I'm part of FIX Protocol. We've done some work around risk management in general, around best practices around risk management, so I think there's certainly industry efforts working to clarify things. In terms of implementation, there's really – I'll focus on three areas. One is the pre-trade controls, the post-trade controls, and then a processor and how you manage risk in an enterprise.

I think the interesting thing for me, as an electronic business that has a high frequency component but also touches DMA/Algo and everything in between, is this is not a sponsored access rule. It's a market access rule. I generally look at sort of what's



happening in the high frequency space that's sort of leading indicator in terms of the types of controls that exist. You certainly have post-trade controls that could check for the types of things that was mentioned before, but as I look at some of the legacy infrastructure that exists in the industry and how it's going to apply to the rule, that where it becomes interesting.

So from a pre-trade perspective, the way I see this there's exchange provided tools, there's what the brokers provide on their own internal platforms, and there's what you can get from a third party service risk management provider. I think most systems generally have order-based checks. Most systems sort of evolved from that. They start with order-based checks. They evolved over time to notional-based checks looking at average data volume. And these types of checks or order criteria generally range based on the complexity of the platform. If you look at larger firms, they might have multiple order writing systems so how are those systems going to be reconciled across your DMA infrastructure, your Algo trading infrastructure, and then your sponsored access infrastructure. The checks, I believe in the industry, can get granular. There's a number of risk checks that firms may have implemented around types of securities, ETFs versus small-cap stocks or aggressiveness of strategy. So there's a number of checks that firms have around their algorithmic infrastructure. I think in most firms, in most larger firms their order writing platforms are diverse. So does the trading platform across the enterprise, if you inventory each one, do they have sort of the appropriate context of the rule, are they really pretty legacy system that only does order quantity checks, does it have some of the more substantial things that are required by the rule? I think ensuring that there is a standardization across an enterprise is one area that firms need to look at. If you look at cross product, that's also when a larger firm tends to be diverse. Equities versus options, are those in line for a particular client, as is limits for equities in line with its limits for options trading. A key area that SIFMA is looking at as well is you say most firms, their risk management, the credit framework exists pretty well for prime brokerage clients, but what does it mean for a DDP, an institutional type client, as John mentioned before. So firms, from a pre-trade control perspective, when you look sort of across their firm, what's the policy around risk settings, what's the procedures around that.

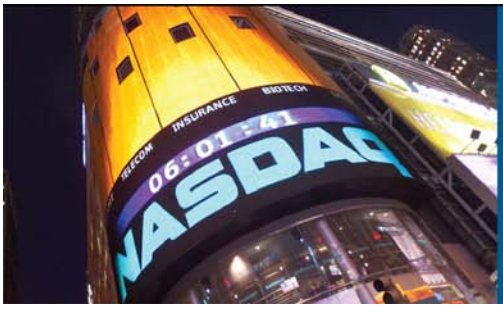


On the post-trade side, I think this is an area that probably needs some development. Again if I talk about sort of legacy on the sponsored access side, I think there's a number of tools that exist in the marketplace that can manage post-trade risk monitoring. But risk managers in general need to be able to set limits, need to monitor activity. In some firms this is done on a post-trade basis. This rule talks about real-time. How do I do things in real-time? I also mentioned cross products, so how do I monitor risk activity cross product? That's another challenge. If my client, for example, is losing a lot of money or has a trading loss in equities, are they effectively hedged in options? How do I tie those two pieces together in a large firm that has disparate technology?

In terms of real-time risk manager, I think echoing back to the work that's been done in the sponsored and high frequency space, I think there's tools that exist. I think the frameworks exist. I think for larger firms how do we leverage some of that investment that's been made across some of these real-time post-trading monitoring systems and can they exist sort of cross asset class. Can they be modified to do that? I think that's again some of the challenges of some of the larger firms. Gaps to focus on the post-trading side is cross asset. Can we do it? Is it possible? Or do we have sort of disparate monitoring systems for our risk groups?

From an issue that was brought up earlier around unexecuted order exposure, how do we manage that? A lot of these systems tend to focus on executions from the venue, so how are we going to aggregate sort of what my exposure is, not sort of what trades that have already happened.

The final thing that firms will need to focus on as they review for this, and from my perspective, we're running a little bit out of time, is the processes they have to look at risk and manage risk. And I think a number of firms have already kind of established risk groups in their electronic trading groups and these are groups that sort of assess their policies around risk management, monitor their controls, establish proper frameworks for how they manage risk. This was already occurring, but I think it's probably going to ramp up. Do I as an organization need have a dedicated person focus on risk management? I think in light of the rule that's a yes.

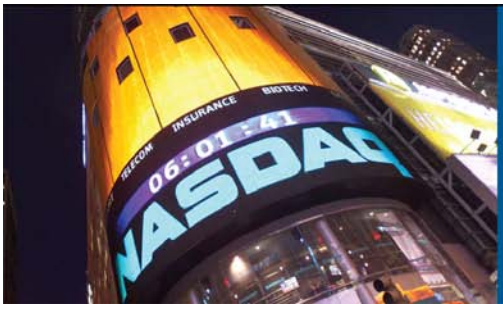


As I mentioned before, FIX Protocol has been involved in risk management. We actually put together a risk – a paper on risk, a guideline document. And it wasn't really around the rule necessarily, but it was around co-defining what's happening in the market today, what business practice are firms doing to manage their risk? What limits do they have in place in their electronic trading platforms? One of the things we talked about was to provide information around it, but also provide a set of guidelines. I think as firms look to their preparedness around this rule, they need to sort of identify a couple key areas, and this would include like understanding the effectiveness of risk controls in their current environment. And again, in some firms there's multiple environments so it's really around reconciling that. Reviewing your current risk control settings, so how do I have my risk control settings for my various clients? In most firms you have defaults, but you also do it on a client-by-client basis. Finally, evaluating the process around how you manage risk. What are my approvals? Do you have an approval process? I think once these gaps are sort of assessed in your current environment, then it goes back to what I said before, you need a process to manage it, to keep it going.

I think both the buy side and the sell side have obligations around risk management. The buy side's obligations are to understand how their broker's managing their particular limits for them, how their brokers are managing risk within their environment. And the sell side has the obligation of regularly checkthese risk controls and have the framework to manage it appropriately.

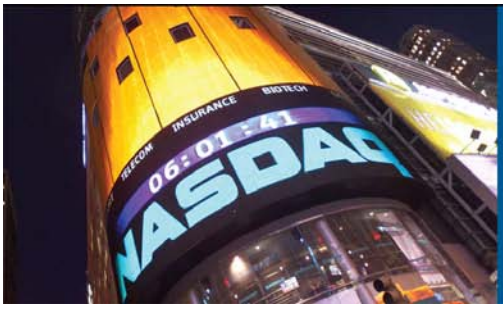
We don't as yet, and maybe some of the panelists might have some guidance on how the regulators are going to assess compliance with this rule. But doing a full review of where you are today, again sort of where we think the rule's heading, with guidance from SIFMA or guidance from FIX Protocol will put you in, I think in the right place.

Jerry: Can I ask you a couple of questions? And I think this is the main concern that I've heard from clients and other people, various clients, is that the SEC assumed a level of compliance in the marketplace with these access rules that may or may not have been an accurate picture of how firms were set up. And I think focusing on probably a few areas,



including (1) real-time surveillance, and (2) customer-by-customer credit checks. So, for example, in your firm you have retail customers. You have an execution desk that's probably in the institutional side of the firm. How do you do a customer-by-customer check on a realtime basis to make sure that they're not exceeding limits? So I guess generally the broad-based question, and I'll throw this out to the whole panel, is did the SEC overestimate the industry's readiness for this rule and is the June 14th date really a reasonable date for people to be in compliance? I mean July 14th date. It's July 14th date. I'm not trying to take a month away from you.

John J: I would just tend to say if anyone has any issues complying, LimeBrokerage.com. But in all seriousness, I would tend to imagine any type of initiative where the Commission has seen that there needs to be some capital investment, rightly or wrongly, take a look at Reg SHO. The two implementations we've seen have been postponed. The implementation time period here seemed, from my perspective, seemed reasonable. But in the world of electronic trading, high frequency trading, you really have to code up all the rules directly into your system. We don't have an institutional block desk where we have to connect phone traders into the high frequency system. Yeah we can act as customers, but I do get the challenges that certain firms are going to have. And I would anticipate that the implementation date will probably be extended using Reg SHO as a template. In some sense I personally don't see the need for it, but I recognize that not every firm is a high frequency trading firm so I can see the need to connect all the risk systems in the firm to talk together. And I do think that you brought up a very interesting point earlier saying I think a lot of people don't recognize that people sort of looked at this as the naked access ban and while it did ban naked access, it did a lot more. If you're a block trader working on the sell side and you're entering an order for a customer, you can't just look, get the customer's name, pick up the phone, call and say done, and hang up, that's it. You need to be looking at these customer-by-customer credit checks, the appropriate compliance checks. All the checks need to be there, need to be inline. These are order placement, pre-trade checks. They need to be put in place across the organization for trades that going into ATSs and exchanges. And again for tier aggregation as well. So I guess I take it back. We have some work to do ourselves.



Larry: I think that on the equity side, especially maybe on the HFT side, it's probably a little bit more simpler since a lot of that, as John said, is already done. I think is where you get into complications is multi-asset, multi-business line. John.

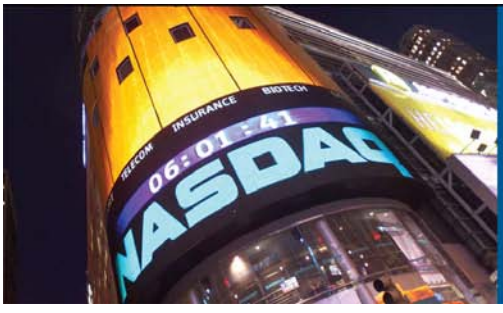
John G.: I would say there's probably not enough time, but my firm's done. There is really a lot of – if you really take a look – you take a step back at what's really asked here, there's a lot to do. So I think let's hope there's some sort of delay or there's some rationalization around how long this will really take for us to do.

Jerry: One last topic we'd like to touch on before we open the floor to questions is, Larry, what do you think the affect on the market will be.

Larry: Good question. I think if everything is implemented evenly and all the HFTs have to comply and go through a centralized compliance and everybody works on an even footing, probably not a whole lot because as long as everybody winds up with the same thresholds I'm not sure that anybody has a competitive advantage. The question will be is will there be a competitive advantage to being your own dealer since the HFTs go through their own risk management and then they go through, let's just say, Lime's risk management, if I just go through my own risk management and I'm a broker-dealer, will I be able to gain that extra advantage versus the extra cost in latency for aggregated flow. If there are ways for broker-dealers to have faster access, then the HFTs, and that access is meaningful, then there become boundaries and certain people will have different boundaries and some of those boundaries will mean that either I need to become a BD or I need to switch my business model or my trading strategy in which case it could harm the market. I don't know. John.

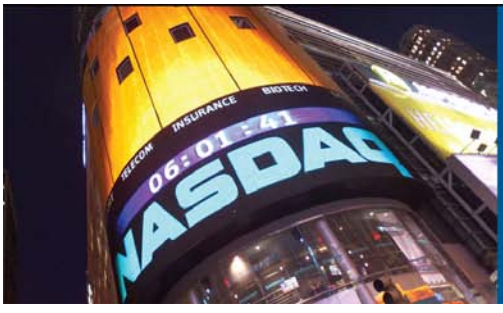
John J.: I personally feel that the impact on tier aggregation is going to be probably the biggest issue, at least in the HF community because again a lot of the people that were naked access started to become BDs, specifically thinking, okay, I become a BD, problem solved. SEC, FINRA, they don't need to talk to me. And while that's true, there's the 9.5mil…

Male: Incentive.



John J.: Yeah. That says you either need to be trading a couple hundred million shares a day. I mean just on NASDAQ the super tier is depending on market volume somewhere between 60 – adding 65 to 95 million shares a day. So your average HFT firm isn't doing it. And the Getcos, the Citadels, etc., probably are. But your smaller firms, if you're trading 100 million shares a day total, which sounds like a big number, but are you adding, let's say, in an average month 85 million shares a day on NASDAQ? Probably not, which means you're probably not getting the 29.5mil rebate, which means all you're going to need to pull with other firms out there and if you're doing that, you're not just going to be able to pull by renting the MPID. You're going to need to be going in some way, shape, or form through someone else's infrastructure. And yeah the exchanges have their risk management gateways, as well, but when you're talking about HFTs there are two issues you really need to get through. The first is the psychological one where you could tell someone that you're giving one nanosecond of latency and you're going to get them to uber-tier or mega-tier or top-tier, whatever you want to call it, and they may just – they'll tell you I don't care if it's one nanosecond or one picosecond, I don't want you touching my order. And the second piece, which is related is, even if – it's really in some sense the same issue, but it's the psychological issue – the first one is a psychological issue saying I need to interposition myself and the second thing is if you do interposition yourself, you need to really do it as unobtrusively as possible. Saying -- I don't know the performance of the various exchange risk management gateways -- but to tell someone you're going to add one to two milliseconds of latency, if you can't give them an explicit number to say I'm doing x-microseconds, they're going to assume it's a couple of milliseconds. And to tell an HFT that I'll give you uber-tier but you're going through my system, they're going to start thinking millies not micros and that's not going to be acceptable to them. So all of a sudden you may take a prop shop group that wanted to become a BD, instead they're just going to throw in the towel and become a division of one of the four or five sell side firms that organically is a top tier.

Male: I think that high frequency firms were the most impacted by this rule. So much to what everyone is saying because now my business strategy, if I'm the latency arb guy, not that that's very profitable strategy this day and age, but if that's what my strategy is and now



they're introducing latency by some check, I have to do something else. I have to do Lime in a box or I have to find some alternative to what I'm doing today. I think most of those players have had to do something else, especially if they're doing some form of naked access. I think from the rest of the impact of this, from my perspective, is just going to make us better from risk perspective. But from a business impact perspective it certainly impacted the high frequency guys the most. That's my view.

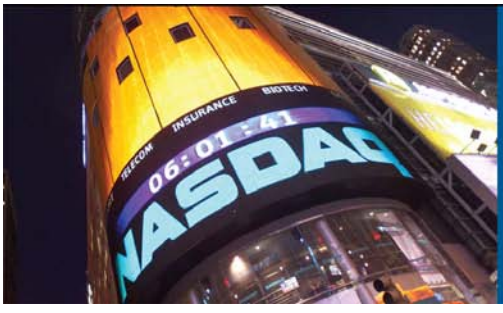
Jerry: Do you think the rule basically is going to be effective in preventing the type of market meltdowns that we saw in the last year or is that really not going to be the result?

John J.: I would tend to say that for the flash crash, there are other things that will be effective. I don't think this is one of them. I really think as the exchanges start to implement limit up-limit down, I think as a lot more people in the market get cognizant, that stop orders, and market orders have a big downside to them we will see things like that. The circuit breakers will help improve the flash crash of May 6th substantially.

Male: I would probably agree with that, too, to a certain extent. It depends on how far and how fast the market is crashing. But if there are a number of orders out there and there's some sort of problem with the gateway, they're still going to get executed on the way. They're still going to get executed if the market is moving against them if they can't get out quick enough.

Jerry: Actually this interestingly leads into one of the questions that came from the audience, and that is, could somebody on the panel discuss the idea of discounting orders. Essentially it basically says discounting the number of outstanding orders by some ratio of executions versus cancellations and how are firms going to implement these type of algorithms.

John J.: That's a very interesting question. I think almost the same question was actually asked the last time we had the session on December 14th. From our perspective, that's basically an open order exposure question. That's really the way I interpret it. The way that I would really view looking open order exposure, you can either look at it in dumb way, let's call it, and that is just an order is worth the notional value of the order. If you put a deep out of the



money order in to buy 100 shares of Ford at $1,000 a share, you have 100 times 1,000 is 100,000. I think another way to look at it is to look at a limit order as an option. Basically it's a call option and delta-adjust it and decrement an order exposure that way. At Lime we've looked at that problem ourselves. In some sense they're interchangeable. It's just how you scale the limit is then affected. Obviously it also impacts the customer's trading strategy. But if you delta-adjust all the orders then you're going to have a much lower open order exposure limit than if you just say my customer sends in an order, in the money, out of the money, from an equity perspective, I don't really care. I'm just going to decrement open order exposure. But my open order exposure is going to be probably a much bigger number than if I looked at every equity limit order as an option.

Jerry: The SEC release I think talks about decrementing by percentage of execution, which is a very dumb method. When I say dumb, a very blunt method of counting. What you said is much more distinct. I mean you can basically evaluate each order and then evaluate the reasonableness of that order being executed and then discount in that way.

John J.: Exactly.

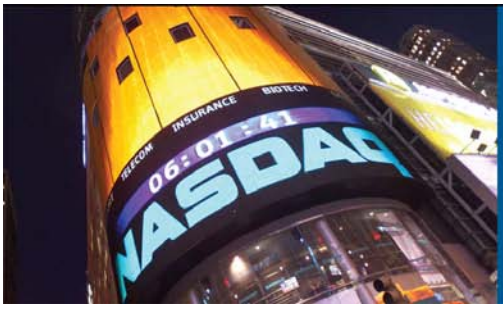
Jerry: There were two questions actually related to clearing firms. And I'll read them both and then we can discuss it. The first question is, can a clearing firm force a broker to send all orders through risk controls versus those that are outside of sponsored access? And the second is, how this will affect corresponding clearing and what will be required of clearing firms? I think it's very similar questions. Do we have anybody who is willing to step into that?

John J.: Can you read the first question again?

Male: Forcing risk controls.

Jerry: Basically forcing all orders through their risk control procedures.

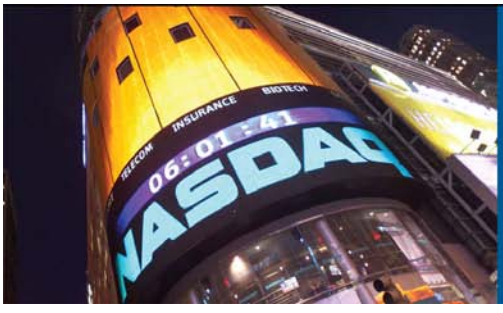
Male: They're going to have to.



John J.: Yeah. I mean I guess the further question I would have almost is the exact opposite. Why would anyone not want to put a risk control in place? I get in some sense maybe a lot of people in the market collectively had their eyes closed and you felt that doing a due diligence review of customers one time was good enough. Maybe it was. Maybe it wasn't. But once your eyes are open, after May 6th, just to see what really can happen, I just don't see why you wouldn't want all activity to go through a risk control system. I think the great thing about this new rule, and yeah there are little issues all over the place with it, but it does level the playing field. I think it's a good chance for us as an industry to really do a mark to market and say wait a minute, we were doing business this way but let's now at least reset because let's call a spade a spade. Naked access in a lot of ways has been a questionable activity. If you look at the intent of Rule 3012, a supervisory control system, all the supervisory rules in FINRA, they pretty much point in a certain area to what firms should be doing. They may not put it under a microscope and say in case you didn't know, if you send an order – if an order has your name, you're responsible for it. In some sense all 3-5 did was restate a whole collection of obligations which were already there to begin with. So can a clearing firm force you? Well, yeah they can because the SEC is forcing you to do it. So if you want the clearing firm to clear your trades, you'd better prove to that clearing firm that you're complying with the rule.

Jerry: The second part of the question might even be more interesting. How does a clearing firm affect this? And when we were talking before the session we talked about clearing firms that don't see the underlying clients and that clients of clients of clients, the chain of orders flowing through different broker-dealers, and how do they apply credit limits on a customer-by-customer basis.

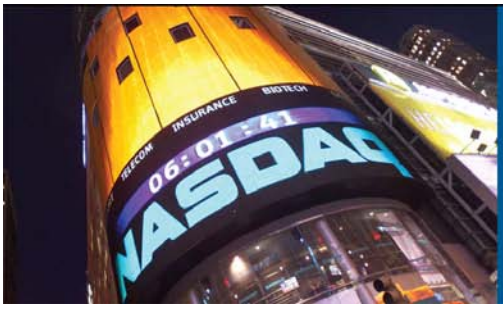
John J.: Well, that's a very interesting point because I think there's a hidden assumption in that question, although I'm not positive, and that is that the clearing firm is acting as the market access provider. I'm going to make that assumption, although I don't know that. But if the clearing firm is acting as the market access provider, if you're trading under the client firm's name, yeah, you're going to need to go through the clearing firm's systems. But an interesting point, which was cleared up via the FIF in talking with the Commission, was that



there are two different type of financial controls out there. There are the controls that are really customer specific and those belong, as it says in the adopting release, at the firm that knows the customer. And then there are the financial controls that the market access provider needs to impose on anyone that they're giving market access to, and that's really a gross activity threshold, which again goes back, in some sense really, to tier aggregation, whether you're going indirectly through your own systems or directly through someone else's. We don't clear through Merrill Lynch, but let's just say BofA Merrill Lynch was our clearing firm, they would look at Lime in its collective entirety and put a credit limit on us. They may say on each day Lime can't execute more than, say, a billion dollars worth of buys and a billion dollars worth of sells, and at one time they can't have more than $10 million worth of activity, open orders out in the market. So there are various ways to comply with it, but the requirement isn't that market access provider knows the end customer. We clarified that with the Commission. That's not to say that someone doesn't need to know the end customer. It's not to say that the market access provider doesn't have imposed credit thresholds. But the market access provider doesn't need to impose those credit thresholds all the way through to the end customer.

Jerry: Another question, and I'm not sure who this is directed to, but it says, you said that the risk controls need to be absolutely independent from the end customer, but what about an independent service provider that was once part of the end client and then spun off.

John J.: I think the few snickers have already answered that, but the Commission said that they're not going to define what independence is, but they also made it clear that independence means that the system has got to be independent of the end customer. And I think it would be a darn hard sell to the Commission and to FINRA to say, oh yeah, my end customer developed it but they don't own it anymore, I do. I mean I think initially that's what a lot of people thought was going to be the end-run around the rule, but you read the adopting release and the Commission saw that people were thinking along those lines and pretty much shut that down right out of the gate. Does that mean people are still going to try to play games with it by probably selling their risk management system to an affiliate, sell the affiliate to someone else? I can think of all sorts of circuitous ways to do it, but the intent of the rule was to stop that. And again, while the rule itself is pretty slim, the adopting release



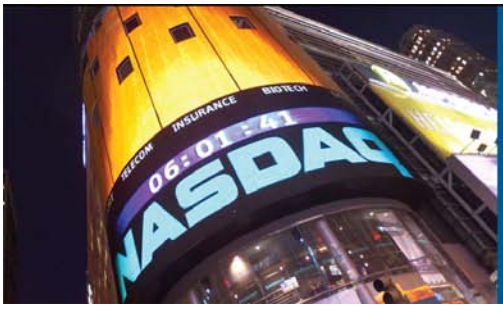
has a lot of color all over the place about what the Commission was thinking and they were thinking that is not appropriate.

Male: Yeah, I think that's the angle that we didn't talk about, which is I have a very decent technology. I spin that out. And I think it depends on timing. If you did it three years ago, probably okay. If you did it a few months ago, probably not. So it's all optics around how you do that. And it goes back to deployment models and I guess the vagueness or the ambiguity that exists will allow firms to test the boundaries, and so that's what we'll see. Again, I'm not sure how the regulatory community will access compliance of these things. How they're going to look at a server and say well that has root assess and all the things that you were describing before. I think that's a TBD. But it is kind of interesting to see how firms will sort of work with this.

Jerry: That's all the questions we have in written format. Are there any questions that anybody in the audience wants to raise now directly? Don't be shy.

Q: Thank you. Jerry, in reference in your intro, the various other products that are subject to the scope of the rule including fixed income and instruments and swaps that are exchange traded, for example, we've been focused on equities here. Obviously this has been very helpful. But have you heard of other markets or products which are not as mature from an electronic trading standpoint, obviously, but have you heard of other markets or products where there hasn't been as much involvement with FIF or SIFMA and perhaps is really under the radar and people really haven't been focusing on it that people really should look a little bit more closely with respect to the rule.

Jerry: Well, I think the fixed income market, really if you think about it, the question is, it's access to trading on exchanges and ATSs. So probably the fixed income market is off the board basically and not covered. But I think that people haven't really focused as much on the fixed income market. Obviously the swap market isn't even up and running yet on an exchange traded basis and therefore I doubt very many people have focused on what that would entail. And I don't know, has there been much focus on the option markets?



John J.: I would tend to believe so. We certainly ourselves have extended our technology to work on options, as well, which are not trading quite as high frequency as equities, but close. I think bonds are the interesting one because if you take a look at the number of ATSs out there, there are about 40. And people think ATS, they think ECN, they think Dark Pool. And yeah, that's generally it. But there are definitely bond ATSs out there. And I don't know that my counterparts in the bond world have been thinking about this. I don't know that they haven't. But I think the intellectual capital in this has really been in the naked access ban and naked access revolves around equities and that's where I think people have really been thinking. And it seems like to me, options seem like they get wrapped up in the equity world, so I would look at it as options and equities. And then there's pretty much everything else, which is bonds, though, I think are really the real glaring exception out there.

Male: Yeah, I think it's a function of organizations looking at this is sort of cross business, cross asset class approach leveraging the lessons that we learn in equities, but I don't think it's going to be an easy do.

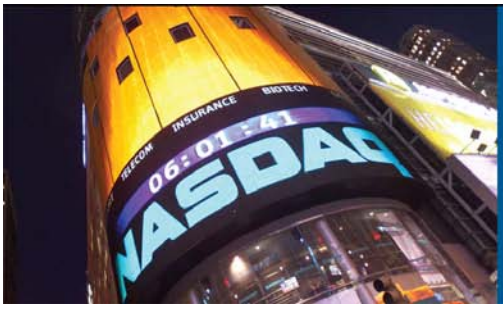
Male: Actually the bigger issue I think actually is futures and I'm not as familiar with the controls in the futures side, but certainly the futures are traded in equally as high frequency a fashion as the equities. But I'm just not aware of the risk controls in the futures side.

Male: Well, CME has risk controls at the exchange, that everybody has to kind of use, so it's not implied in this rule, right. So I think…

Jerry: Futures wouldn't be expressly covered by this rule because they're not under the jurisdiction of the SEC.

Q: Jerry, the exchanges, NASDAQ, NYSE, have risk systems also. How does that relate to this whole discussion?

Jerry: Well, the question in case people in the audience didn't hear it is how do exchange risk systems play into this? And essentially the rule says those aren't sufficient. They're in



addition to and can be helpful in compliance, but the broker-dealer is responsible directly and cannot rely on the exchange systems to provide the control. It has to be under their direct control. And so, while they're there and they're supplemental and there might be products that can get delivered out, but that's delivered out to the broker-dealers.

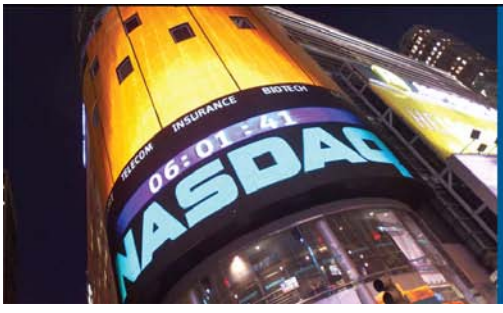
Male: Yeah, I think service bureaus can provide those types of tools. Third parties can provide the tools.

Male: I think the other issue is that generally the exchange volume is fragmented across a number of different exchanges and not one exchange sees a preponderance of the trade. So while NASDAQ may have the greatest risk management within the NASDAQ family of markets, they don't see what goes on in BATS or they don't see what goes on at Arca or Direct Edge, so I think it would be kind of hard.

Jerry: Yeah, aggregation of credit across markets and across trading markets would be extremely difficult to do on an exchange level. And the other thing to emphasize is that you can use third party providers of services and the third party providers of services can put the risk controls in place as long as they are under, again, the direct control, supervision, and management of the brokerage firm. And in any event, the brokerage firm is going to be ultimately responsible for the performance. So third party vendors are useful and can provide the service, but it doesn't take away from the broker-dealer's direct responsibility. Yes.

Q: In terms of definition of credit limits, is it just buying power for a particular trading day or are they looking across for a settlement risk for like unsettled trades?

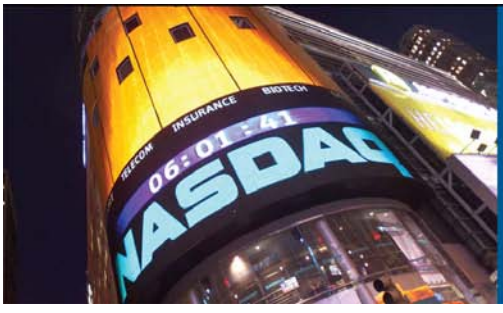
John J.: The rule didn't define it. Yeah, I would tend to say to look at the intent of the rule because when it talks in areas about the appropriate compliance risk management checks should be suitable for the type of business that's being done, I would tend to put it there for credit, as well. I don't think there's one specific answer. It's customer dependent. For an HFT trading Reg T, standard day trading buying power would be the appropriate type of control. If you're talking about a large buy side mutual fund, the appropriate metric if I were setting



it up really would be settlement risk. I think one of the interesting things about the rule is what isn't defined in there. When they talk about financial controls, when you're looking, for example, at options, are you mandated to have controls on delta, gamma, vega, theta? Frankly, that's one of the things that really concerns me is when FINRA comes in and says where are your financial controls, your trading options, and all these different areas, and like we're control this. It's like well what about that? And whatever you're looking at, they'll take that as the given and add one more thing on it. I'm not saying that that's the case. Maybe people will look at it very liberally as financial control as long as you have something that's decrementing or counting orders, that's good enough. But we're somewhat stepping into a no-man's-land where I think we may see rules flushed out. We'll see some of it before the fact and FAQs, but really much more after the fact, via violations, unfortunately. I hope that's not the case. But I'm also on the FIF Working Group on Market Access and we're in discussions about perhaps coming up with some type of minimum standards and discussing it with the Commission, almost like a Safe Harbor. That's a good and a bad thing. On one hand if you go to the Commission and say for financial controls this is the minimum set we're talking about. If you're a DVP institutional buy side account, if you just do this you're okay, that you've met the financial control threshold, hopefully the Commission will sign off on that. Again, we haven't even gotten a consensus that we're going to approach the Commission on that. But we're in discussions to do that to get some type of Safe Harbor for certain areas that are decidedly vague.

Male: I think that's a challenge with implementing policies because a lot of the trading systems support multiple types of clients and how do you assess risk at these various levels. And that's part of the review, part of the guidelines. SIFMA is certainly asking the same question or that's on their list of issues to bring up. But I think that's a TBD and I think we're going to have to sort of work through it.

Jerry: Yeah, I was just going to mention the SIFMA process again and the fact that a lot of specific questions have been formulated and actually presented to the SEC. I'm not sure they're working toward a FAQ at this point in time. But there are very specific answers to questions that you can access through the SIFMA Working Group. Probably many of you are on that committee already anyway, so. Any final questions? What I want to do is just



throw it back out to the panel. Any last words on what this rule means or what people should be worried about before we end?

John J.: I just think get started now.

Jerry: Well, yeah. If you're not started already you might be too late actually.

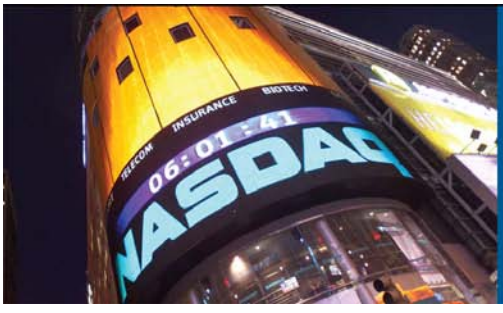
Male: Yeah, I'd echo that.

Jerry: Yeah, and the only thing I would throw out is, again, going back to the beginning and emphasizing that this is not a sponsored access rule. This covers all access to the markets for all broker-dealers for virtually all securities. And if you don't think of it that broadly, you're going to definitely miss out on the implementation process. All right. Well, thank you.

[Applause]

Ted: To wrap this up, I think one of the biggest challenges that we've had to summarize here is that the SEC is not really telling you what to do and clarifying this. But the SEC or FINRA will clearly tell you what you've been doing wrong. So I really want to thank the panelists for your time, your insight, and for the audience and your participation. And clearly, it's taking John's point, this is about getting started and what we wanted to do tonight was provide a forum for education and start this process and open up the mind to realize it's not the sponsored access rule. It's the market access rule. It's broad. It's wide. There's a lot that we really need to cover and to take this information back to your firm. And whether there's a working group or not, start one or try and get on that or the various industry forums to become aware of this.

I want to also make you aware that NASDAQ is going to be hosting another forum very similar to this structure in Chicago and that's going to be on the 16th of February. So if you can take that back to your firm and just make sure that everyone is aware and knowledgeable of that. And for any reason if you want to get an invite you can just reply



back to the folks at NASDAQ and we'll make sure that we can get you that information.

And the last point really is all about the solutions that are out there and just to make sure that you become educated on them and that you recognize that this is really cross-market. And really from FTEN's perspective, one of the reasons why NASDAQ looked at the acquisition of FTEN was to keep the company as a standalone business, recognizing that the solutions need to be provided for the benefit of the industry, not just specifically for NASDAQ in general. And I think that's really looking at this and cross-market access wide and being able to understand these rules and making sure that you look at what your needs are and what the long-term vision of what you need to do, not only for this rule, but large trade and recording and every other component on there and how this really reshapes how we do our business today and in the future.

So that being said, thank you again. We're now going to transition to the back of the room for the wonderful reception. Thank you all.

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