

## **NASDAQ OMX**

July 1, 2011

### **REQUEST FOR WRITTEN SUPERVISORY POLICIES AND PROCEDURES REGARDING REGULATORY REQUIREMENTS TO BE ALLOCATED TO NASDAQ AND NASDAQ OMX PHLX MEMBERS PURSUANT TO NEW SEC RULE 15C3-5 GOVERNING MARKET ACCESS.**

As indicated in the Notice dated July 1, 2011 in connection with allocation of regulatory risk management controls pursuant to the new SEC Market Access Rule, 15c3-5, NASDAQ must determine that there is a reasonable basis to conclude that each Member subject to an allocation agreement, “based upon its position in the transaction and relationship with an ultimate customer, has better access than [NASDAQ] to that ultimate customer and its trading information such that it can more effectively implement the specified controls and procedures.” In order that NASDAQ may perform its required due diligence and make this determination, please provide by no later than Friday, July 8, 2011 your firm’s written supervisory policies and procedures, and any other documentation of relevant regulatory risk controls (e.g., pre-trade controls such as system blocks, surveillances, post-trade controls such as exception reports), regarding the following areas of regulatory compliance:

- 1) Regulation SHO, including but not limited to the proper marking of orders and the identification of “locates;”
- 2) Determination of a customer’s suitability to engage in a particular transaction;
- 3) Anti-money laundering procedures, including but not limited to applicable know-your-customer rules;
- 4) Market manipulation, including but not limited to, wash trades, marking the close, front running and trading ahead;
- 5) Insider trading;
- 6) Prevention of order entry by customers or your firm itself if restricted from trading particular securities or subject to other trading restrictions, including maintenance of restricted lists in connection with required information barriers;
- 7) Prevention of access to trading systems and technology that market access through Archipelago Securities to customers without specific pre-approval and authorization by your firm, as evidenced by Direct Market Access Agreements;
- 8) Trading halt procedures, including maintenance of priority of customer orders;
- 9) Proper use of specific order types permitted by and routed through NASDAQ;

- 10) Regulation NMS, including the proper use of Intermarket Sweep Orders to prevent trade-throughs;
- 11) Compliance with odd-lot trading rules.

Please be reminded, as indicated in the Notice, that unless NASDAQ, by July 14, 2011, has received the requested documentation and determined that your firm's written supervisory policies and procedures are reasonably designed to permit allocation of all relevant regulatory risk management controls as permitted by SEC Rule 15c3-5, as of that date your firm will not be permitted to enter non-exempt orders on the NASDAQ exchanges. To ensure adequate time to review the requested materials, please submit them no later than the close of business on July 8, 2011.

Please submit the requested documentation via e-mail to [membership@nasdaqomx.com](mailto:membership@nasdaqomx.com). If you have any questions about this request, please contact [NASDAQ OMX Transaction Services U.S. Market Sales](#) at +1 800 846 0477.