

# MARKET ACCESS RULE

## Is Your CEO Ready to Sign on the Dotted Line for Compliance with the New Market Access Rule?

This question needs to be asked more frequently between now and July 14, 2011. On November 3, 2010, the Securities and Exchange Commission (SEC) adopted the Market Access Rule (Rule 15c3-5), which requires brokers and dealers to have risk controls for market access. This document provides some general information about the rule and how it will affect your business.

## WHAT IS THE MARKET ACCESS RULE?

In essence, the rule requires any broker-dealer with market access to establish and enforce risk management controls and supervisory procedures that are designed to ensure that:

- > Customers' transactions are within credit and capital thresholds.
- > Orders are not erroneous.
- > Orders do not violate applicable regulatory requirements.
- > Risk management controls are under the "direct and exclusive control" of the broker-dealer.

## IS THIS RULE LIMITED TO SPONSORED ACCESS?

Absolutely not. The rule applies to ALL types of market access, including:

- > Trading for a broker-dealers' own proprietary account.
- > Trading as an agent for a customer through traditional agency brokerage.
- > Enabling customers to trade via direct market access arrangements.
- > Enabling customers to trade via sponsored access arrangements.





## WHO DOES THE MARKET ACCESS RULE AFFECT?

The rule applies to all broker-dealers with market access, including:

- > Any broker-dealer who is providing customers with access to a liquidity venue.
- > All forms of market access including sponsored, direct, or through an agency broker.
- > Access provided to all customers including customers who are broker-dealers.
- > All trading venues including exchanges and alternative trading systems (ATSS)
- > Broker-dealers providing outbound routing for an exchange for purpose of accessing protected quotes (e.g., for Reg NMS or Options Linkage Plan) have a limited exception.

## WHAT ASSET CLASSES ARE COVERED?

- > Equities
- > Equity options
- > Exchange Traded Funds (ETFs)
- > Debt securities
- > Security-based swaps

## WHAT DOES THE MARKET ACCESS RULE REQUIRE?

- > Written policies and procedures
- > Pre-set capital and credit thresholds
- > Compliance checks for all regulatory requirements on a pre-order basis
- > Risk checks on a pre-trade/pre-order entry basis
- > Immediate post trade surveillance
- > Annual review of policies and procedures
- > Annual certification by the CEO

## WHEN DOES THE MARKET ACCESS RULE TAKE EFFECT?

Market participants are required to be in compliance by July 14, 2011.

### More Information

For more information, visit [www.ften.com](http://www.ften.com) or contact us at [marketaccess@ften.com](mailto:marketaccess@ften.com) and +1 212 812 8808.