

## REGULATORY INFORMATION BULLETIN

RBE-02-04  
September 27, 2002

**TO: All ETP Holders**

**FROM: Regulation Division**

**SUBJECT: Access to Archipelago Exchange**

This regulatory bulletin reminds all ETP Holders that only persons with authorized access may enter and execute orders on the Archipelago Exchange (ArcaEx). ETP Holders are also reminded that they are responsible for all orders, trades, messages, and instructions entered by persons associated with them or under the identifiers, passwords, or security codes assigned to them. Finally, ETP Holders must have written supervisory procedures and must implement those procedures to prevent improper access to ArcaEx.

### Users and Authorized Traders

To obtain authorized access to ArcaEx, an ETP Holder or a Sponsored Participant of an ETP Holder must become a User by entering into a User Agreement. In addition, each ETP Holder or Sponsored Participant that has become a User must maintain a list of Authorized Traders who may access the system on its behalf. This list must be continually updated and provided to the PCX Equities, Inc. (PCXE) upon request. See PCXE Rules 7.29 and 7.30.

Authorized Traders are authorized to approve changes or modifications to orders, as requested or required from time to time by the employees of ArcaEx and PCXE. All Users and Authorized Traders are required to comply with PCXE Rules.

### ETP Holders Must Supervise Access to ArcaEx

Pursuant to PCXE Rule 6.18, all ETP holders are responsible for supervision of all persons associated with them.<sup>1</sup> To fulfill this requirement, all ETP holders must have written

---

<sup>1</sup> In addition to PCXE Rule 6.18, the Securities Exchange Act of 1934 (“Exchange Act”) authorizes the Securities and Exchange Commission (“SEC”) to sanction brokers, dealers and supervisors if they fail to reasonably supervise persons subject to their supervision who violate the federal securities laws. See Sections 15(b)(4)(E) and 15(b)(6) of the Exchange Act. To avoid findings of failure to supervise firms must: (1) establish reasonable supervisory procedures and systems for applying those procedures and (2) reasonably discharge their responsibilities under those procedures.

supervisory procedures and a system for applying those procedures. In addition, PCXE Rule 7.30(d) specifies that an “ETP Holder must have reasonable procedures to ensure that the [Authorized Traders] maintain the physical security of the equipment for accessing the facilities of the [Exchange] to prevent the improper use or access to the systems, including the unauthorized entry of information into the systems.”

Accordingly, each ETP Holder must have a supervisory system in place that allows it to effectively monitor access to ArcaEx.<sup>2</sup> All ETP Holders retain the responsibility to ensure that only Authorized Traders are making trading decisions.

Questions regarding this Bulletin should be directed to John Chapin, Director, Equities Surveillance, at (312) 442-7788, and Karen Hanson Wellman, Managing Director, Enforcement, at (415) 393-7949.

---

<sup>2</sup> For more information on written supervisory procedures, see Supervision Obligations of ETP Holders, PCXE Regulatory Information Bulletin Number 02-02