

June 28, 2011

## SEC Extends Compliance Date for Certain Requirements of the Market Access Rule

On June 27, 2011, the Securities and Exchange Commission (SEC) extended the compliance date for certain requirements of Rule 15c3-5 (the “market access rule”) under the Securities Exchange Act of 1934. Specifically, the SEC extended the compliance date until November 30, 2011, for all aspects of the market access rule for fixed income securities and the requirements of the Rule 15c3-5(c)(1)(i) for all securities. The compliance date remains July 14, 2011, for all other requirements of Rule 15c3-5.

Rule 15c3-5(c)(1)(i) requires a broker-dealer with market access to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds. While the SEC extended the compliance date for this aspect of the market access rule, the SEC did not extend the compliance date for Rule 15c3-5(c)(1)(ii), preventing the entry of erroneous orders or duplicative orders. Thus, the compliance date for Rule 15c3-5(c)(1)(ii) remains July 14, 2011.

The SEC’s action was in response to requests from the Financial Information Forum, the Securities Industry and Financial Markets Association, and the Wholesale Market Brokers’ Association. In making the request for an extension, the industry groups stated that the types of controls required to prevent the entry of orders that exceed appropriate pre set credit or capital thresholds were complex and the industry needed more time to comply. As well, the type of pre-trade controls required by the market access rule have generally not been used in the fixed income market. The SEC provided the limited extension so that broker-dealers have sufficient time to develop and implement the required risk management controls for activities where the application of these controls was not widespread.

Click [here](#) to read the SEC’s Release No. 34-64748; File No. S7-03-10, “Risk Management Controls for Brokers or Dealers with Market Access,” in its entirety.

Click [here](#) to read Katten’s Client Advisory from November 16, 2010, “SEC Adopts New Rule Concerning Risk Management Controls for Broker-Dealers with Market Access.”

For more information, please contact your Katten Muchin Rosenman LLP attorney, or any of the following members of Katten’s **Financial Services Practice**.

Janet M. Angstadt

312.902.5494 / janet.angstadt@kattenlaw.com

Ross Pazzol

312.902.5554 / ross.pazzol@kattenlaw.com

James D. Van De Graaff

312.902.5227 / james.vandegraaff@kattenlaw.com

[www.kattenlaw.com](http://www.kattenlaw.com)

CHARLOTTE

CHICAGO

IRVING

LONDON

LOS ANGELES

NEW YORK

WASHINGTON, DC

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