

## Corporate & Financial Weekly Digest

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### **SEC Temporarily Exempts Floor Brokers Handling Orders Manually from the Automated Controls Requirement of Rule 15c3-5**

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On August 15, the Securities and Exchange Commission released an order “temporarily exempting the floor broker operations of broker-dealers with market access that handle orders on a manual basis” (the Floor Brokers) from the automated controls requirement of Rules 15c3-5(c)(1)(ii) and (c)(2) of the Securities Exchange Act of 1934 (the Automated Controls Rule). The Automated Controls Rule applies to each broker-dealer with market access to an exchange or automated trading system and requires, among other things, that each such broker-dealer implement a risk management control system and supervisory procedures reasonably designed to:

- systematically limit the broker-dealer’s financial exposure due to market access and ensure compliance with regulatory requirements in respect of market access;
- prevent entry of orders that exceed pre-set capital or credit thresholds, appear to be erroneous or such broker-dealer or customer is prohibited from trading and ensure compliance with all other pre-entry regulatory requirements; and
- restrict market access technology systems to authorized persons and ensure appropriate surveillance personnel receive immediate post-trade execution reports.

The SEC has extended the date for compliance with the Automated Controls Rule for Floor Brokers until November 30. Since the Floor Brokers have historically controlled the risks noted above on a manual basis, the SEC was willing to grant such Floor Brokers additional time to complete the development and implementation of automated controls for such manual orders.

To read SEC Release No. 34-65132, click [here](#).

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