

General Information Regarding DEA Services

Designated Examining Authority

Registered broker/dealers who are Participants of multiple Self-Regulatory Organizations (“SROs”), including the Chicago Stock Exchange, Inc. (“CHX” or the “Exchange”), have one SRO as that Participant’s Designated Examining Authority (“DEA”). Those firms who are only Participants of the CHX are monitored by and must report certain matters to the CHX. The primary purpose of such Participants must normally be acting as a broker-dealer in securities. The Exchange imposes certain additional fees if it is acting as the DEA of CHX Participants.

Following is a summary of several related topics:

Record Keeping – Books and Records

- Every Participant must prepare and preserve certain books and records in accordance with CHX Article 11, Rule 2, 3 and 4 and Securities and Exchange Act (“SEC”) Exchange Act Rules 17a-3 and 17a-4, and other applicable provisions. If a Participant/Participant firm is not self-clearing it is still its responsibility to make certain that its clearing broker maintains required records such as the purchase and sales blotter.
- CHX designated Participants will be examined by the CHX, normally at least annually, to assure compliance with the record keeping requirements. The Participant/Participant firm is responsible for, at a minimum, the preparation and maintenance of the following original books and records:
 - Purchase and sales blotter
 - Position records
 - Receipt and delivery blotter
 - Original order tickets
 - Monthly/daily statements from clearing brokers, if applicable
 - Cash receipts and disbursement blotter / checkbook register, cancelled checks, bank statement reconciliations
 - General ledgers and balance sheets
 - Trial balances
 - Monthly income and expense records
 - Monthly net capital and AI computations
 - Monthly and Quarterly FOCUS II or IIA Reports

Other recordkeeping requirements may also apply.

Net Capital Requirements

Every broker/dealer is subject to the SEC Exchange Act Rule 15c3-1 (Net Capital Rule), regardless of their size or operation. CHX Article 7, Rule 3(c) requires that net capital computations must be prepared at least monthly. CHX designated Participants will be examined by the CHX, to assure compliance with this requirement.

Securities Investor Protection Corporation (“SIPC”) Assessments

Records of direct payments of SIPC-6 and SIPC-7 to SIPC by Participants must be retained and preserved in accordance with SEC Exchange Act Rules 17a-3 and 17a-4.

FOCUS and Annual Certified Audits

CHX Article 7, Rule 4 and SEC Exchange Act Rule 17a-5 require that every Participant/Participant firm file financial and operational reports. This includes monthly and quarterly FOCUS, and annual financial statements and schedules certified by an independent public accountant acceptable to the CHX, in accordance with the requirements of SEC Exchange Act Rule 17a-5.

A Participant/Participant firm which does not clear its own transactions may be exempt from filing annual, certified financial statements if it limits its securities activities only to that of a CHX market maker or institutional broker and does not have contact with public customers.

Institutional Broker Guarantee Letters

CHX Article 7, Rule 10 (“Guarantee Letters”) requires that all CHX institutional broker firms who do not clear their own trades, including brokerage errors, to produce a letter of guarantee from a clearing broker/dealer prior to conducting its institutional brokerage transactions.

Written Supervisory Procedures

CHX Article 6, Rule 5(b) (“Registered Persons and Branch and Resident Offices”) requires both individual Participants and Participant firms to establish, maintain, and enforce written supervisory procedures to assure that the type of securities business in which the Participant or Participant firm engages and the activities of registered persons, employees, and associated persons are properly supervised and comply with securities laws, SEC Rules and Regulation and CHX Rules.

List of Officers and Directors

Participant firms for which the CHX is the designated examination authority shall file and keep current a list of officers and directors as well as evidence, satisfactory to the Exchange, that the officers of the Participant Firm are duly authorized to act for the Participant Firm.

Central Registration Depository (“CRD”)

The SEC has adopted rules requiring all broker/dealers to file original broker/dealer applications (“Form BD”) with the CRD. The CRD is the computerized filing and data processing system operated by Financial Industry Regulatory Authority (“FINRA”). Form BD amendments, as well as withdrawals from registration (“Form BDW”) are also to be filed through the CRD system.

The system maintains registration information for all broker/dealers on behalf of the SEC, State regulators and certain SROs such as the CHX. The CRD system provides “one-stop filing” for broker/dealers and any filings with the CRD are considered filed with the SEC.

Fingerprints

SEC Rule 17f-2 states, among other things, that every member of a national securities exchange shall require that each of its officers, partners, members, and employees be fingerprinted and shall submit those fingerprints to the Central Registration Depository on the Web for appropriate processing. CHX designated Participants/Participant firms will be examined by the CHX, to assure compliance with this requirement.