



July 14, 2008

Via Facsimile and U.S. Mail

Mr. John Smith  
Director of Compliance  
Address  
New York, NY \_\_\_\_\_

Dear Mr. Smith:

The Market Surveillance Division of NYSE Regulation (“MKS”), in coordination with FINRA, is conducting a review of **BROKER-DEALER’s (“BD” or the “Firm”)** compliance with: NYSE Rule 435(5), which prohibits the circulation of false and misleading rumors “of a sensational character which might reasonably be expected to effect market conditions”; NASD Rule 5120(e), which prohibits the circulation of any information which is false or misleading or which would improperly influence the market price of a security; and SEC Rule 10b-5 as it applies to false or misleading rumors that may be considered manipulative (collectively “False or Misleading Rumors”). This review is for the period January 1, 2008 through the present (“Review Period”). In connection with this review, MKS is requesting that you provide the following information by July 28, 2008.

1. Copies of all firm policies, written supervisory and surveillance procedures pertaining to its compliance with NYSE Rule 435(5), NASD Rule 5120(e), and SEC Rule 10b-5 in effect during the review period.
2. Describe in detail how the firm monitors the activities of its personnel to ensure that False or Misleading Rumors are not being circulated in order to affect market conditions or for manipulative purposes.
3. Please describe, in general, how the firm monitors electronic communications, including but not limited to external and internal emails, vendor terminals, instant messages, message boards, internet chat rooms and PINs.
4. Please state if the firm utilizes software to surveil for communication pertaining to False or Misleading Rumors. Please describe how the software monitors for False or Misleading Rumors and if the software allows the firm to search for specific subjects, topics, and names.
5. Please describe in general how the firm monitors the activity of its personnel on internet chat rooms or message boards. Please state whether the firm blocks websites that promote

the sharing of False or Misleading Rumors and or other information which could affect market conditions or which otherwise could be considered manipulative.

6. Please state if sales and trading personnel are permitted to use external email vendors, personal cell phones and blackberries at the firm. Describe how such communication is monitored for False or Misleading Rumors.
7. Describe the firm's policy with respect to how sales and trading personnel handle inquiries or comments pertaining to False or Misleading Rumors from clients and internal or external members of the broker-dealer community, including whether such personnel are permitted to comment at all on such False or Misleading Rumors.
8. Please state whether the firm has policies and procedures requiring sales and trading personnel to report to a supervisor and/or Compliance any instances involving a client or internal or external member of the broker-dealer community who is engaging in circulating False or Misleading Rumors. If so, please provide written descriptions of any such instances that were reported to the firm.
9. Please state if the firm has initiated or concluded any reviews or investigations regarding the circulation of False or Misleading Rumors during the Review Period. For example, please describe whether the firm has conducted reviews for False or Misleading Rumors relating to: the impact of the subprime loan business on certain financial institutions, the use by financial institutions of the Federal Reserve discount window, and/or possible federal government bailout of certain financial institutions.

In this connection, please describe the outcome of any such review, including findings and/or follow-up action, internal discipline or other similar action.

10. Provide copies of all training and educational material, including any specific guidance issued during the review period in connection with NYSE Rule 435(5) and NASD Rule 5120(e).

Please note that NYSE Rule 476(a)(11) and Rule 476A permit the Exchange to take appropriate disciplinary action, including the levying of summary fines, for failing to comply in a timely and thorough manner with any request for information.

If you have any questions concerning this matter, please feel free to contact me at 212-656-4144.

Sincerely,

Aleksandra Radakovic