

RB-01-03
February 12, 2001

TO: All PCX Members and Member Organizations
ETP Holders, Equity ASAP Holders and ETP Firms

FROM: Regulation Administration Department

RE: Clock Synchronization

In order for the Pacific Exchange to determine when orders are executed and to compile an accurate audit trail it is imperative that members accurately indicate the time of execution on order memoranda. Members are reminded that: a) all order tickets must be time stamped with the time(s) of entry, change, execution or cancellation¹ and, b) that members have the obligation to ensure that time stamping equipment used is accurate at all times.² The Pacific Exchange is considering developing a rule to specify clock synchronization requirements. The following guidance is being furnished to assist members with current compliance obligations.

SEC Rule 17a-3, PCX Rule 6.68 and PCXE Rule 7.35 require that order memoranda be stamped with the time of execution. In order for a member to ensure that the time stamping equipment used to impart time stamps on order memoranda is accurate at all times, members must establish procedures whereby the accuracy of clocks are tested on a frequent basis. This would include synchronizing clocks prior to the initiation of trading each day with time providers such as the National Institute of Standards and Technology Atomic Clock ("Atomic Clock") or the U.S. Naval Observatory Master Clock ("USNO Master Clock"). Members should document steps taken to ensure that all proprietary equipment used to impart time stamps on order memoranda are accurate at all times in accordance with the supervisory requirements established in PCX Rule 4.25 and PCXE Rule 6.18.

Should you have any questions concerning this bulletin, please contact Tim Miller, Vice President – Regulation Administration Department, at (415) 835-4848.

¹ See RBO-00-21 Issued on September 8, 2000 addressing time stamp requirements.

² The obligation to ensure the accuracy of time stamping equipment extends to time stamping devices that are owned and operated by members. Consistent with current industry standard, members should ensure that time clocks are accurate to within 3 seconds. Time stamping equipment owned and serviced by the Pacific Exchange will be synchronized by the Pacific Exchange and therefore it is not the obligation of members to synchronic these devices.