



RULE 5

CUSTOMER PROTECTION AND BUSINESS FAILURE OF TRADING PARTICIPANT

Rule 5.1 Segregation and Limitation of Functions of Trading Participants

Any Trading Participant that assumes the functions of both Dealing Participant and Brokering Participant shall maintain proper segregation of those functions within the firm to prevent any conflict of interest or flow of information that will enable front- running or insider trading, or any other practice that will redound to the disadvantage of the customer, by complying with the following minimum requirements:

1. The Trading Participant shall establish written procedures to ensure compliance with this Rule, which shall be monitored by the Associated Person.
2. Its functions as Dealing Participant shall be confined to the buying and selling of securities for its own account while its functions as a Brokering Participant shall be confined to buying and selling for the account of its customers.
3. The Trading Participant shall use only the Dealing Terminal for the buying and selling of Securities for its own account, and the only the Sales Terminal for the buying and selling of Securities for the account of its customers.
4. A Trader who executes trades for the account of the Trading Participant cannot at the same time be a Salesman who executes trades for the account of customers, and vice-versa.
5. The Trading Participant shall assign different officers directly supervising and accountable for the actions of its Salesmen and Traders.
6. The Trading Participant shall institute policies and sanctions that will ensure that material non-public information that may affect the buying and selling prices of the Securities will not be used by its personnel for himself or for the Trading Participant.



7. The Trading Participant shall institute policies and sanctions that will ensure that customer orders and positions are kept with utmost confidentiality by its personnel who receive such information in the exercise of their functions.
8. The Trading Participant shall ensure that Trading Personnel for separate functions are aware of, understand, and acknowledge in writing, the conflict of interest sought to be prevented, their specific duties to prevent such conflict, and the liabilities they will incur in case of non-compliance with these duties.
9. The Associated Person shall report to PDEX any violation of these Rules, as well as the action and/or sanctions taken and/or imposed by the Trading Participant with respect thereto.
10. **Trading Participants shall not engage in conduct violative of segregation requirements set out in items 6 and 7 above, such as but not limited to cases where the Dealing Participant, acting on information regarding the customer order of a specific Security of its related Brokering Participant, buys/sells such specific Security from the PDEX market and turns around and sells/buys the same to the Brokering Participant. Under this scenario, the Dealing Participant earns income from the sale and the Brokering Participant earns a commission from its client. (new081225)**

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