

Information Memo



Number 12-17
June 28, 2012

TO: ALL MEMBERS AND MEMBER ORGANIZATIONS

SUBJECT: AMENDMENTS TO RULE 107B: SLP MARKET MAKER PROGRAM

I. Purpose

The purpose of this Information Memo is to inform New York Stock Exchange LLC (“NYSE”) and NYSE MKT LLC (“NYSE MKT”) (collectively, the “Exchange”) member organizations of recent amendments to NYSE and NYSE MKT Equities Rule 107B (“Rule 107B”) relating to Supplemental Liquidity Providers (“SLP”) to add a class of SLPs that are registered as market makers at the Exchange. The amendments to both versions of Rule 107B are effective **July 2, 2012**.

The amended NYSE and NYSE MKT Rule 107B text is attached.

II. Amendments to Rule 107B – SLMM Program

1. **Two Classes of SLP: SLP-Prop and SLMM**

The Exchange has amended Rule 107B to add a category of SLPs that would be registered as market makers at the Exchange. The existing SLP member organizations and associated requirements are continuing unchanged and will now be referred to as “**SLP-Prop**.” As amended, the term “SLP” refers generally to member organizations that provide supplemental liquidity under Rule 107B.

The Exchange’s new class of SLP, referred to as “**SLMM**,” would be registered as market makers at the Exchange. As set forth in the amended rule, SLMMs have differing qualification requirements and increased regulatory obligations as compared to SLP-Props, but would otherwise be subject to the existing SLP quoting and volume program requirements, as applicable for NYSE or NYSE MKT. Because the SLMMs would be subject to specified regulatory obligations, including the requirement to maintain a continuous two-sided quote, SLMMs may be eligible for market maker treatment under federal rules,¹ such as the close-out requirements for fail-to-deliver positions applicable to market makers under Rule 204 of Regulation SHO.²

As with the SLP program in general, SLMMs will be supplementing the liquidity provided by DMMs and will assist in the maintenance of a fair and orderly market, as reasonably practicable. While all securities that trade at the Exchange are required to be assigned to a DMM, not all securities are required to be assigned to an SLMM, which is how the SLP program operates today.

¹ Among other things, a “market maker” is defined under the Securities Exchange Act of 1934 (the “Act”) as “any dealer who, with respect to a security, holds himself out (by entering quotations in an inter-dealer communication system or otherwise) as being willing to buy and sell such security for his own account on a regular or continuous basis.” 15 U.S.C. 78c(a)(38).

² 17 CFR 242.204(a)(3).

2. SLP Application Process

A prospective SLP member organization can choose to be either an SLP-Prop or an SLMM, or both, subject to restrictions described in section 7 below. As part of the application process, a prospective SLP must make an election of whether it is seeking to be an SLP-Prop or SLMM, or both. Based on this election, the Exchange will review the application for whether the SLP applicant meets the qualification requirements of Rule 107B(c) (for SLP-Props) or Rule 107B(d) (for SLMMs), as applicable. The revised SLP applications are attached.

If a current SLP is interested in converting to be an SLMM, the SLP must complete a new SLP application form. Existing SLPs will otherwise be considered to be SLP-Props.

3. SLP Qualification Requirements

SLP-Props and SLMMs are subject to the same application and overall program withdrawal process, ADV and quoting requirements (as applicable for either NYSE or NYSE MKT), manner by which SLP securities are assigned, and non-regulatory penalties. For these purposes, the rule continues to refer to “SLP,” which term includes both SLP-Prop and SLMM classes of SLP.

The SLP qualification requirements specified in Rule 107B(c) remain unchanged, but are now applicable to SLP-Props. Rule 107B(d) specifies the qualification requirements of SLMMs (the rest of Rule 107B has been renumbered accordingly). As proposed, to be approved, an SLMM would need to meet the qualification requirements currently set forth in Rule 107B(c)(1), and (3) – (5), relating to requirements for adequate technology, performance history, and disciplinary history.

4. SLMM Regulatory Requirements

If approved as an SLMM, an SLMM will be subject to specified regulatory obligations, which are set forth in Rule 107B(d). Because these are regulatory obligations, failure to comply with these obligations could result in disciplinary action.

First, pursuant to Rule 107B(d)(1), an SLMM must maintain a continuous two-sided quotation in those securities in which the SLMM is registered to trade as an SLP (“Two-Sided Obligation”). The Two-Sided Obligation applicable to SLMMs is virtually identical to the market-maker two-sided quoting obligations adopted by the equities markets in 2010 and is currently applicable to DMMs.³

Second, pursuant to Rule 107B(d)(2), an SLMM is required to maintain net capital in accordance with the provisions of Rule 15c3-1 under the Act, which specifies the capital requirements for market makers.⁴

³ See Securities Exchange Act Release No. 63255 (Nov. 5, 2010), 75 FR 69484 (Nov. 12, 2010) (SR-BATS-2010-025; SR-BX-2010-66; SR-CBOE-2010-087; SR-CHX-2010-22; SR-FINRA-2010-049; SR-NASDAQ-2010-115; SR-NSX-2010-12; SR-NYSE-2010-69; SR-NYSEAmex-2010-96; and SR-NYSEArca-2010-83) (order approving enhanced quoting requirements for market makers).

⁴ 17 CFR 240.15c3-1. For purposes of that rule, the term “market maker” is defined as “a dealer who, with respect to a particular security, (i) regularly publishes bona fide, competitive bid and offer quotations in a recognized interdealer quotation system; or (ii) furnishes bona fide competitive bid and offer quotations on request; and (iii) is ready, willing and able to effect transactions in reasonable quantities at his quoted prices with other brokers or dealers.” 17 CFR 240.15c3-1(c)(8).

Finally, pursuant to Rule 107B(d)(3), an SLMM is required to maintain unique mnemonics specifically dedicated to SLMM activity. Use of these unique mnemonics will enable SLMMs to meet their requirement under Rule 107B(d)(1)(A) to identify their market-making activity to the Exchange. Such mnemonics may not be used for non-SLMM trading including SLP-Prop trading.

Unlike SLP-Props, SLMMs will not be required to maintain information barriers between the SLMM unit and the member organization's customer, research and investment-banking business solely for Rule 107B purposes. However, it is important to note that a member organization may be required to implement or maintain information barriers between its SLMM unit and other business units (e.g. research, investment banking), for other regulatory purposes or pursuant to any other rule (e.g. Reg SHO aggregation unit requirements, limit order protection, insider trading prevention).

5. SLMM Order Entry Requirements

The Exchange has amended Rule 107B(i) (as new Rule 107B(j)) to modify the entry of order requirements. SLP-Props would continue to be required to enter proprietary orders only. SLMMs are similarly required to enter orders for their own account. However, SLMM orders/quotes could be entered in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person.

6. SLMM Security-by-Security Temporary Withdrawal

SLMMs may voluntarily withdraw from registration as a market maker in a particular security. The Exchange has included the security-by-security withdrawal provision to enable SLMMs to comply with legal or regulatory requirements that may conflict with meeting the SLMM requirements. For example, permitting an SLMM to withdraw its quotations may enable it to meet otherwise conflicting obligations under Regulation M.⁵

To withdraw its registration in a security, the SLMM must give written notice to the SLP Liaison Committee and FINRA before 9:30 a.m. on the trading day immediately preceding the first day that the SLMM proposes to withdraw in the security. Accordingly, if an SLMM seeks to withdraw from a security on a Wednesday, notice must be received in writing prior to 9:30 a.m. on the preceding Tuesday.

Such notice must be provided by email to the following:

- rairo@nyx.com
- aprice@nyx.com
- kross@nyx.com
- wzeichner@nys.com
- slpnotice@finra.org

An SLMM that fails to give advanced written notice of termination to the Exchange may be subject to disciplinary action.

The SLMM must also provide written notice of the date that it would be resuming as an SLMM in the particular security. Such notice must be provided to the NYSE and FINRA contacts above at least one business day prior to the date the SLMM would like to resume acting as an SLMM in that security, provided that the notice is provided no later than **2:00 p.m.**

⁵ See NYSE Regulation Information Memo 12-11, dated April 13, 2012, for further guidance on Regulation M notifications.

The Exchange notes that it will not be assessing the basis for why an SLMM is seeking to temporarily withdraw its registration in a security. The SLMM has an independent obligation to assure that the time frame that it is withdrawing from registration meets the regulatory or legal purpose for withdrawal.

7. Acting as SLMM and SLP-Prop

The Exchange has also added to Rule 107B(h) (as Rule 107B(i)) that an SLP-Prop may not also act as an SLMM in the same securities in which it is registered as an SLP-Prop and vice versa. The Exchange believes that under the SLP program, a member organization should be either an SLP-Prop or SLMM. However, if a member organization has more than one business unit and employs the appropriate information barriers, including but not limited to having the SLP-Prop business unit “walled off” from the SLMM business unit, the member organization may engage in both an SLP-Prop and SLMM business from those different business units. Provided the information barriers preclude any coordinated trading between the SLP-Prop and SLMM business units, they may be assigned the same securities.

III. Staff Contact Information

Questions regarding the rule requirements applicable to SLPs should be directed to:

Clare Saperstein, Vice President, NYSE Regulation, Inc., 212.656.2355, or

David De Gregorio, Chief Counsel, NYSE Regulation, Inc., 212.656.4166,

Questions regarding the SLP application process and assignment of SLP securities should be directed to:

Robert Airo, Senior Vice President, NYSE Operations, 212.656.5663

Additions underlined.

Deletions bracketed.

NYSE Rules

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Rule 107B. Supplemental Liquidity Providers

(a) For purposes of this Rule, a Supplemental Liquidity Provider ("SLP") is a member organization that electronically enters proprietary orders or quotes from off the Floor of the Exchange into the systems and facilities of the Exchange and is obligated to maintain a bid or an offer at the National Best Bid ("NBB") or the National Best Offer ("NBO") in each assigned security in round lots averaging at least 10% of the trading day (see Section ([f]g) below) and for all assigned SLP securities, adds liquidity of an average daily volume ("ADV") of more than 10 million shares on a monthly basis. An SLP can be either a proprietary trading unit of a member organization ("SLP-Prop") or a registered market maker at the Exchange ("SLMM"). This pilot program will [commence on the date upon which the SEC approves the New Market Model Rule and will] end on July 31, 2012.

(b) Financial Rebates for Executed Transactions. When an SLP posts liquidity on the Exchange and such liquidity is executed against an inbound order, the SLP will receive a financial rebate for that executed transaction in an amount that will be published in the Exchange's Price List (see the NYSE Price List on the NYSE website), subject to the non-regulatory penalty provision described in subsection ([i]j) of this Rule ("Non-Regulatory Penalties").

(1) The SLP will receive credit towards the financial rebate for executions of displayed and non-displayed liquidity (e.g., reserve and dark orders) posted in round lots in [their SLP] its assigned securities only.

(c) Qualifications of an SLP-Prop [Supplemental Liquidity Provider]. To qualify as an SLP-Prop, a member organization must have:

(1) adequate technology to support electronic trading through the systems and facilities of the Exchange;

(2) mnemonics that identify to the Exchange SLP-Prop trading activity in assigned SLP securities. A member organization may not use such mnemonics for trading activity at the Exchange in assigned SLP securities that is not SLP-Prop trading activity or in securities in which a DMM unit is registered, but may use the same mnemonics for trading activity in securities not assigned to an SLP. If a member organization does not identify to the Exchange the mnemonic to be used for SLP-Prop trading activity, the member organization will not receive credit for such SLP trading;

(3) adequate trading infrastructure to support SLP trading activity, which includes support staff to maintain operational efficiencies in the SLP program and adequate administrative staff to manage the member organization's SLP program;

(4) quoting and volume performance that demonstrates an ability to meet the 10% average quoting requirement in each assigned security and the ADV requirement of more than 10 million shares for all assigned SLP securities on a monthly basis;

(5) a disciplinary history that is consistent with just and equitable business practices; and

(6) the business unit of the member organization acting as an SLP-Prop must have in place adequate information barriers between the SLP-Prop unit and the member organization's customer, research and investment banking business.

(d) Qualifications of an SLMM. A member organization may register as an SLMM in one or more securities traded on the Exchange in order to assist in the maintenance of a fair and orderly market

insofar as reasonably practicable. To qualify as an SLMM, a member organization must meet the requirements of Rule 107B(c)(1), and (3) – (5) and if approved as an SLMM, must:

(1) maintain continuous, two-sided trading interest in those securities in which the SLMM is registered to trade as an SLP (“Two-Sided Obligation”).

(A) Two-Sided Obligation. For each security in which a member organization is registered as an SLMM, the SLMM must be willing to buy and sell such security for its own account on a continuous basis during the trading day and must enter and maintain two-sided trading interest that is identified to the Exchange as the interest meeting the Two-Sided Obligation and is displayed in Display Book at all times. Interest eligible to be considered as part of an SLMM’s Two-Sided Obligation must have a displayed size of at least one round lot; provided, however, that an SLMM may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. After an execution against its Two-Sided Obligation, an SLMM must ensure that additional trading interest exists in the Display Book to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on Display Book that will satisfy this obligation.

(B) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) an SLMM shall adhere to the pricing obligations established by paragraph (d)(1)(A) of this Rule during the trading day; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

(i) Bid and Offer Quotations. At the time of entry of the SLMM’s bid (offer) interest, the price of the bid (offer) interest shall be not more than the Designated Percentage away from the then current NBB (NBO), or if no NBB (NBO), not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the NBB (NBO) (or if no NBB (NBO), the last reported sale) increases (decreases) to a level that would cause the bid (offer) interest to be more than the Defined Limit away from the NBB (NBO) (or if no NBB (NBO), the last reported sale), or if the bid (offer) is executed or cancelled, the SLMM shall enter new bid (offer) interest at a price not more than the Designated Percentage away from the then current NBB (NBO) (or if no NBB (NBO), the last reported sale), or identify to the Exchange current resting interest that satisfies the SLMM’s obligation according to paragraph (d)(1)(A), above.

(ii) The NBB and NBO shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(iii) For purposes of this Rule, the “Designated Percentage” shall be 8% for securities subject to Rule 80C(a)(i), 28% for securities subject to Rule 80C(a)(ii), and 30% for securities subject to Rule 80C(a)(iii), except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Rule 80C is not in effect, the Designated Percentage shall be 20% for securities subject to

Rule 80C(a)(i), 28% for securities subject to Rule 80C(a)(ii), and 30% for securities subject to Rule 80C(a)(iii).

(iv) For purposes of this Rule, the "Defined Limit" shall be 9.5% for securities subject to Rule 80C(a)(i), 29.5% for securities subject to Rule 80C(a)(ii), and 31.5% for securities subject to Rule 80C(a)(iii), except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Rule 80C is not in effect, the Defined Limit shall be 21.5% for securities subject to Rule 80C(a)(i), 29.5% for securities subject to Rule 80C(a)(ii), and 31.5% for securities subject to Rule 80C(a)(iii).

Nothing in this Rule shall preclude an SLMM from quoting at price levels that are closer to the NBB and NBO than the levels required by this Rule.

(2) maintain minimum net capital in accordance with the provisions of Rule 15c3-1 under the Securities Exchange Act of 1934.

(3) maintain unique mnemonics specifically dedicated to SLMM activity in order to comply with paragraph (d)(1)(A) of this Rule. Such mnemonics may not be used for trading in securities other than SLP Securities assigned to the SLMM.

[(d)e] Application Process.

(1) For purposes of this Rule, an "SLP Liaison Committee" shall consist of NYSE employees of the Operations Division and the U.S. Markets Division. The Head of the U.S. Markets Division or a designee shall designate the members of the SLP Liaison Committee. Among other responsibilities described in this Rule, the SLP Liaison Committee will determine whether an applicant is qualified to become an SLP.

(2) To become an SLP, a member organization must submit an SLP application form with all supporting documentation to the SLP Liaison Committee. The processing of SLP applications will be suspended when the SLP quota has been reached as provided in Section ([g]h)(2) of this Rule.

(3) The SLP Liaison Committee will determine whether an applicant is qualified to become an SLP based on the qualifications described above in Section (c) or (d) of this Rule[("Qualifications of a Supplemental Liquidity Provider")].

(4) After an applicant submits an SLP application to the SLP Liaison Committee, with supporting documentation, the SLP Liaison Committee shall notify the applicant member organization of its decision.

(5) If an applicant is approved by the SLP Liaison Committee to receive SLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant will be permitted to trade as an SLP on the Exchange.

(6) In the event an applicant is disapproved or disqualified (see Section ([j]k)(2) below) by the SLP Liaison Committee, such applicant may request an appeal of such disapproval or disqualification by the SLP Panel as provided in Section ([k])("Appeal of Non-Regulatory Penalties") of this Rule, and/or reapply for SLP status three (3) months after the month in which the applicant received disapproval or disqualification notice from the Exchange.

([e]f) Voluntary Withdrawal of SLP Status.

(1) An SLP may withdraw from [the] such status [of an SLP] by giving notice to the SLP Liaison Committee, the NYSE Operations Division, and FINRA. Such withdrawal shall become effective when those securities assigned to the withdrawing SLP are reassigned to another SLP. After the SLP Liaison Committee, the NYSE Operations Division, and FINRA receive the notice of withdrawal from the withdrawing SLP, the SLP Liaison Committee will reassign such securities as soon as practicable but no later than 30 days of the date said notice is received by the SLP Liaison Committee, the NYSE Operations Division, and FINRA. In the event the reassignment of securities takes longer than the 30-day period, the withdrawing SLP will have no obligations under this Rule 107B and will not be held responsible for any matters concerning its previously assigned SLP securities upon termination this 30-day period.

(2) An SLMM may withdraw its registration in a security by giving written notice to the SLP Liaison Committee and FINRA. The Exchange may require a certain minimum notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets. An SLMM that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action.

([f]g) Calculation of Quoting Requirement:

(1) The SLP's 10% quoting requirement is calculated by determining the average percentage of time the SLP is at the NBB or the NBO in each assigned security during the regular hours of the Exchange on a daily and monthly basis. For purposes of this Rule, the SLP Liaison Committee will determine whether an SLP has met its quoting requirement by calculating the following:

(A) the "Daily NBB Quoting Percentage", is calculated by determining the percentage of time an SLP has at least one round lot of displayed interest in each assigned security in an Exchange bid at the National Best Bid during each trading day for a calendar month;

(B) the "Daily NBO Quoting Percentage," is calculated by determining the percentage of time an SLP has at least one round lot of displayed interest in each assigned security in an Exchange offer at the National Best Offer during each trading day for a calendar month;

(C) the "Average Daily NBBO Quoting Percentage", is calculated for each trading day by summing the "Daily NBB Quoting Percentage" and the "Daily NBO Quoting Percentage" in each assigned security then dividing such sum by two; and

(D) the "Monthly Average NBBO Quoting Percentage", is calculated for each assigned security by summing the security's "Average Daily NBBO Quoting Percentages" for each Trading Day in a calendar month then dividing the resulting sum by the total number of Trading Days in such calendar month.

(i) For purposes of calculating whether an SLP is in compliance with its 10% quoting requirement, the SLP must post displayed liquidity in round lots in its assigned securities at the NBB or the NBO.

(ii) An SLP may post non-displayed liquidity; however, such liquidity will not be counted as credit towards the 10% quoting requirement.

(iii) Tick sensitive orders (i.e., "Sell Plus", "Buy Minus" (see Rule 13) and "Buy Minus Zero Plus") will not be counted as credit towards the 10% quoting requirement.

(2) The SLP shall not be subject to any minimum or maximum quoting size requirement in assigned securities apart from the requirement that an order be for at least one round lot. The quoting requirement will be measured by utilizing the mnemonics that the member organization has identified for SLP trading activity.

(g)h Calculation of Monthly Volume Requirement:

(1) The SLP's monthly volume requirement of an ADV of more than 10 million shares is calculated by aggregating all liquidity an SLP provides in all of its assigned SLP securities each month and calculating the ADV by dividing the total aggregated provide volume by the number of trading days in the applicable month.

(2) Days that the Exchange ends its regular trading hours early (i.e., earlier than 4:00 p.m.) will not be included in the calculations of ADV for the applicable month in determining if an SLP has met its monthly volume requirement.

(3) The quoting and volume requirements will not be in effect in the first calendar month a member organization operates as an SLP. Therefore, the quoting and volume requirements will take effect on the first day of the second consecutive calendar month the member organization operates as an SLP.

(4) SLP orders will be in the "Book Participant" category for purposes of parity pursuant to Rule 72 under the New Market Model.

(h)i Assignment of Securities.

(1) The SLP Liaison Committee in its discretion, will assign to the SLP, a group of securities consisting of NYSE-listed securities for SLP trading purposes. The SLP Liaison Committee shall determine the number of NYSE-listed securities within the group of securities assigned to each SLP.

(2) The SLP Liaison Committee, in its discretion, will assign one (1) or more SLPs to each security, depending upon the trading activity of the security.

(A) A DMM unit shall not also act as an SLP in the same securities in which it is registered as a DMM.

(B) An SLP-Prop shall not also act as an SLMM in the same securities in which it is registered as an SLP-Prop and vice versa, provided, however, if a member organization maintains information barriers between an SLP-Prop unit and an SLMM unit, the SLP-Prop and SLMM units may be assigned the same securities.

(i)j Entry of Orders [by SLPs]. SLPs may only enter orders electronically from off the Floor of the Exchange and may only enter such orders directly into Exchange systems and facilities designated for this purpose. SLMM quotes and orders may be for the account of the SLMM in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person. SLP-Prop orders must only be for the proprietary account of the SLP-Prop member organization.

(j)(k) Non-Regulatory Penalties

(1) If an SLP fails to meet the 10% quoting requirement, the following non-regulatory penalties may be imposed by the Exchange:

(A) If, in any given calendar month, an SLP meets the 10 million ADV requirement in all assigned SLP securities and an SLP maintains a quote at the NBB or NBO averaging at least 10% of the trading day in any assigned security, such SLP will receive a financial rebate for that calendar month for all executed transactions as described in Section (b) ("Financial Rebates for Executed Transactions") of this Rule.

(B) If, in any calendar month, an SLP maintains a quote at the NBB or the NBO averaging less than 10% of the regular trading day in an assigned security, the SLP will not receive a financial rebate for that month for executed transactions in that particular assigned security as described in Section (b) ("Financial Rebates for Executed Transactions") of this Rule; and

(C) If an SLP fails to meet the 10% quoting requirement for three (3) consecutive calendar months in any assigned security, the SLP will be at risk of losing its SLP status, and the SLP Liaison Committee may, in its discretion, take the following non-regulatory actions:

(i) revoke the assignment of the affected security(ies) from the SLP; and

(ii) each time the SLP Liaison Committee revokes the assignment of an affected security for non-compliance with the 10% quoting requirement, as described in Section (j)(k)(1)(C)(i) above, the SLP Liaison Committee reserves the right to revoke the assignment of an additional unaffected security from an SLP when there is a failure to comply with such quoting requirements; or

(iii) disqualify a member organization's status as an SLP.

(2) Disqualification Determinations. The SLP Liaison Committee shall determine if and when a member organization is disqualified from its status as an SLP. One calendar month prior to any such determination, the SLP Liaison Committee will notify the SLP of such impending disqualification in writing. If the SLP fails to meet the 10% average quoting requirement (for a third consecutive month) in a particular security, the SLP may be disqualified from SLP status. When disqualification determinations are made, the SLP Liaison Committee will provide a disqualification notice to the member organization informing such member organization that it has been disqualified as an SLP.

(3) Re-application for SLP Status: In the event a member organization is disapproved pursuant to Section (d)(6) or disqualified from its status as an SLP pursuant to Section (j)(k)(1)(C)(iii), such member organization may re-apply for SLP status in accordance with Section (d) ("Application Process") of this Rule. Such application process shall occur at last three (3) calendar months following the month in which such member organization received its disapproval or disqualification notice.

(k) Appeal of Non-Regulatory Penalties

(1) In the event a member organization disputes the SLP Liaison Committee's decision to impose any non-regulatory penalties described above in Section (j) (Non-Regulatory Penalties) of this Rule, such member organization ("appellant") may request, within five (5) business days of

receiving notice of the decision to impose such non-regulatory penalties, the Supplemental Liquidity Provider Panel ("SLP Panel") to review all such decisions to determine if such decisions were correct.

(A) In the event a member organization is disqualified from its status as an SLP pursuant to Section (j)(k)(1)(C)(iii) of this Rule, the SLP Liaison Committee shall not reassign the appellant's assigned securities to a different SLP until the SLP Panel has informed the appellant of its ruling.

(2) The SLP Panel shall consist of the NYSE's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and two (2) officers of the Exchange designated by the Head of the U.S. Markets Division.

(3) The SLP Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.

(4) The SLP Panel may overturn or modify an action taken by the SLP Liaison Committee under this Rule. All determinations by the SLP Panel shall constitute final action by the Exchange on the matter at issue.

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Additions underlined.
Deletions bracketed.

NYSE MKT Rules

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Rule 107B – Equities. Supplemental Liquidity Providers

(a) For purposes of this Rule, a Supplemental Liquidity Provider ("SLP") is a member organization that electronically enters proprietary orders or quotes from off the Floor of the Exchange into the systems and facilities of the Exchange and is obligated to maintain a bid or an offer at the National Best Bid ("NBB") or the National Best Offer ("NBO") in each assigned security in round lots averaging at least 5% of the trading day (see Section ([f]g) below). An SLP can be either a proprietary trading unit of a member organization ("SLP-Prop") or a registered market maker at the Exchange ("SLMM"). This pilot program will end on July 31, 2012.

(b) Financial Rebates for Executed Transactions. When an SLP posts liquidity on the Exchange and such liquidity is executed against an inbound order, the SLP will receive a financial rebate for that executed transaction in an amount that will be published in the Exchange's Price List (see the NYSE Amex Equities Price List on the Exchange's website), subject to the non-regulatory penalty provision described in subsection ([i]j) of this Rule ("Non-Regulatory Penalties").

(1) The SLP will receive credit towards the financial rebate for executions of displayed and non-displayed liquidity (e.g., reserve and dark orders) posted in round lots in their [SLP] its assigned securities only.

(c) Qualifications of an SLP-Prop [Supplemental Liquidity Provider]. To qualify as an SLP-Prop, a member organization must have:

- (1) adequate technology to support electronic trading through the systems and facilities of the Exchange;
- (2) mnemonics that identify to the Exchange SLP-Prop trading activity in assigned SLP securities. A member organization may not use such mnemonics for trading activity at the Exchange in assigned SLP securities that is not SLP-Prop trading activity or in securities in which a DMM unit is registered, but may use the same mnemonics for trading activity in securities not assigned to an SLP. If a member organization does not identify to the Exchange the mnemonic to be used for SLP-Prop trading activity, the member organization will not receive credit for such SLP trading;
- (3) adequate trading infrastructure to support SLP trading activity, which includes support staff to maintain operational efficiencies in the SLP program and adequate administrative staff to manage the member organization's SLP program;
- (4) quoting performance that demonstrates an ability to meet the 5% average quoting requirement in each assigned security;
- (5) a disciplinary history that is consistent with just and equitable business practices; and
- (6) the business unit of the member organization acting as an SLP-Prop must have in place adequate information barriers between the SLP-Prop unit and the member organization's customer, research and investment banking business.

(d) Qualifications of an SLMM. A member organization may register as an SLMM in one or more securities traded on the Exchange in order to assist in the maintenance of a fair and orderly market insofar as reasonably practicable. To qualify as an SLMM, a member organization must meet the requirements of Rule 107B(c)(1), and (3) – (5) – NYSE Amex Equities and if approved as an SLMM, must:

(1) maintain continuous, two-sided trading interest in those securities in which the SLMM is registered to trade as an SLP (“Two-Sided Obligation”).

(A) Two-Sided Obligation. For each security in which a member organization is registered as an SLMM, the SLMM must be willing to buy and sell such security for its own account on a continuous basis during the trading day and must enter and maintain two-sided trading interest that is identified to the Exchange as the interest meeting the Two-Sided Obligation and is displayed in Display Book at all times. Interest eligible to be considered as part of an SLMM’s Two-Sided Obligation must have a displayed size of at least one round lot; provided, however, that an SLMM may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. After an execution against its Two-Sided Obligation, an SLMM must ensure that additional trading interest exists in the Display Book to satisfy its Two-Sided Obligation either by immediately entering new interest to comply with this obligation to maintain continuous two-sided quotations or by identifying existing interest on Display Book that will satisfy this obligation.

(B) Pricing Obligations. For NMS stocks (as defined in Rule 600 under Regulation NMS) an SLMM shall adhere to the pricing obligations established by paragraph (d)(1)(A) of this Rule during the trading day; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension, or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension, or pause, as reported by the responsible single plan processor.

(i) Bid and Offer Quotations. At the time of entry of the SLMM’s bid (offer) interest, the price of the bid (offer) interest shall be not more than the Designated Percentage away from the then current NBB (NBO), or if no NBB (NBO), not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the NBB (NBO) (or if no NBB (NBO), the last reported sale) increases (decreases) to a level that would cause the bid (offer) interest to be more than the Defined Limit away from the NBB (NBO) (or if no NBB (NBO), the last reported sale), or if the bid (offer) is executed or cancelled, the SLMM shall enter new bid (offer) interest at a price not more than the Designated Percentage away from the then current NBB (NBO) (or if no NBB (NBO), the last reported sale), or identify to the Exchange current resting interest that satisfies the SLMM’s obligation according to paragraph (d)(1)(A), above.

(ii) The NBB and NBO shall be determined by the Exchange in accordance with its procedures for determining protected quotations under Rule 600 under Regulation NMS.

(iii) For purposes of this Rule, the “Designated Percentage” shall be 8% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 28% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 30% for securities subject to

Rule 80C(a)(iii) – NYSE Amex Equities, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Rule 80C – NYSE Amex Equities is not in effect, the Designated Percentage shall be 20% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 28% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 30% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities.

(iv) For purposes of this Rule, the “Defined Limit” shall be 9.5% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 29.5% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 31.5% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities, except that between 9:30 a.m. and 9:45 a.m. and between 3:35 p.m. and the close of trading, when Rule 80C – NYSE Amex Equities is not in effect, the Defined Limit shall be 21.5% for securities subject to Rule 80C(a)(i) – NYSE Amex Equities, 29.5% for securities subject to Rule 80C(a)(ii) – NYSE Amex Equities, and 31.5% for securities subject to Rule 80C(a)(iii) – NYSE Amex Equities.

Nothing in this Rule shall preclude an SLMM from quoting at price levels that are closer to the NBB and NBO than the levels required by this Rule.

(2) maintain minimum net capital in accordance with the provisions of Rule 15c3-1 under the Securities Exchange Act of 1934.

(3) maintain unique mnemonics specifically dedicated to SLMM activity in order to comply with paragraph (d)(1)(A) of this Rule. Such mnemonics may not be used for trading in securities other than SLP Securities assigned to the SLMM.

((d)e) Application Process.

- (1) For purposes of this Rule, an "SLP Liaison Committee" shall consist of NYSE Euronext employees of the Operations Division and the U.S. Markets Division. The Head of the U.S. Markets Division or a designee shall designate the members of the SLP Liaison Committee. Among other responsibilities described in this Rule, the SLP Liaison Committee will determine whether an applicant is qualified to become an SLP.
- (2) To become an SLP, a member organization must submit an SLP application form with all supporting documentation to the SLP Liaison Committee. The processing of SLP applications will be suspended when the SLP quota has been reached as provided in Section ((g)h)(2) of this Rule.
- (3) The SLP Liaison Committee will determine whether an applicant is qualified to become an SLP based on the qualifications described above in Section (c) or (d) of this Rule [("Qualifications of a Supplemental Liquidity Provider")].
- (4) After an applicant submits an SLP application to the SLP Liaison Committee, with supporting documentation, the SLP Liaison Committee shall notify the applicant member organization of its decision.
- (5) If an applicant is approved by the SLP Liaison Committee to receive SLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant will be permitted to trade as an SLP on the Exchange.
- (6) In the event an applicant is disapproved or disqualified (see Section ((i)j)(2) below) by the SLP Liaison Committee, such applicant may request an appeal of such disapproval or disqualification by the SLP Panel as provided in Section ((j)k)("Appeal of Non-Regulatory Penalties") of this Rule,

and/or reapply for SLP status three (3) months after the month in which the applicant received disapproval or disqualification notice from the Exchange.

([e]f) Voluntary Withdrawal of SLP Status.

(1) An SLP may withdraw from [the] such status [of an SLP] by giving notice to the SLP Liaison Committee, the Operations Division, and FINRA. Such withdrawal shall become effective when those securities assigned to the withdrawing SLP are reassigned to another SLP. After the SLP Liaison Committee, the Operations Division, and FINRA receive the notice of withdrawal from the withdrawing SLP, the SLP Liaison Committee will reassign such securities as soon as practicable but no later than 30 days of the date said notice is received by the SLP Liaison Committee, the Operations Division, and FINRA. In the event the reassignment of securities takes longer than the 30-day period, the withdrawing SLP will have no obligations under this Rule 107B - NYSE Amex Equities and will not be held responsible for any matters concerning its previously assigned SLP securities upon termination of this 30-day period.

(2) An SLMM may withdraw its registration in a security by giving written notice to the SLP Liaison Committee and FINRA. The Exchange may require a certain minimum notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interests of maintaining fair and orderly markets. An SLMM that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action.

([f]g) Calculation of Quoting Requirement:

(1) The SLP's 5% quoting requirement is calculated by determining the average percentage of time the SLP is at the NBB or the NBO in each assigned security during the regular hours of the Exchange on a daily and monthly basis. For purposes of this Rule, the SLP Liaison Committee will determine whether an SLP has met its quoting requirement by calculating the following:

(A) the "Daily NBB Quoting Percentage", is calculated by determining the percentage of time an SLP has at least one round lot of displayed interest in each assigned security in an Exchange bid at the National Best Bid during each trading day for a calendar month;

(B) the "Daily NBO Quoting Percentage", is calculated by determining the percentage of time an SLP has at least one round lot of displayed interest in each assigned security in an Exchange offer at the National Best Offer during each trading day for a calendar month;

(C) the "Average Daily NBBO Quoting Percentage", is calculated for each trading day by summing the "Daily NBB Quoting Percentage" and the "Daily NBO Quoting Percentage" in each assigned security then dividing such sum by two; and

(D) the "Monthly Average NBBO Quoting Percentage", is calculated for each assigned security by summing the security's "Average Daily NBBO Quoting Percentages" for each Trading Day in a calendar month then dividing the resulting sum by the total number of Trading Days in such calendar month.

(i) For purposes of calculating whether an SLP is in compliance with its 5% quoting requirement, the SLP must post displayed liquidity in round lots in its assigned securities at the NBB or the NBO.

(ii) An SLP may post non-displayed liquidity; however, such liquidity will not be counted as credit towards the 5% quoting requirement.

(iii) Tick sensitive orders (i.e., "Sell Plus", "Buy Minus" (see Rule 13 - NYSE Amex Equities) and "Buy Minus Zero Plus") will not be counted as credit towards the 5% quoting requirement.

- (2) The SLP shall not be subject to any minimum or maximum quoting size requirement in assigned securities apart from the requirement that an order be for at least one round lot. The quoting requirement will be measured by utilizing the mnemonics that the member organization has identified for SLP trading activity.
- (3) The 5% quoting requirement will not be in effect in the first calendar month a member organization operates as an SLP. Therefore, the quoting requirement will take effect on the first day of the second consecutive calendar month the member organization operates as an SLP.
- (4) SLP orders will be in the "Book Participant" category for purposes of parity pursuant to Rule 72 - NYSE Amex Equities.

[(g)h)] Assignment of Securities.

- (1) The SLP Liaison Committee in its discretion, will assign to the SLP, a group of securities consisting of NYSE Amex-listed or traded equities securities for SLP trading purposes. The SLP Liaison Committee shall determine the number of Exchange-listed or traded securities within the group of securities assigned to each SLP.
- (2) The SLP Liaison Committee, in its discretion, will assign one (1) or more SLPs to each security, depending upon the trading activity of the security.
 - (A) A DMM unit shall not also act as an SLP in the same securities in which it is registered as a DMM.
 - (B) An SLP-Prop shall not also act as an SLMM in the same securities in which it is registered as an SLP-Prop and vice versa, provided, however, if a member organization maintains information barriers between an SLP-Prop unit and an SLMM unit, the SLP-Prop and SLMM units may be assigned the same securities.

[(h)i)] Entry of Orders [by SLPs]. SLPs may only enter orders electronically from off the Floor of the Exchange and may only enter such orders directly into Exchange systems and facilities designated for this purpose. SLMM quotes and orders may be for the account of the SLMM in either a proprietary capacity or a principal capacity on behalf of an affiliated or unaffiliated person. All SLP-Prop orders must only be for the proprietary account of the SLP-Prop member organization.

[(i)j)] Non-Regulatory Penalties.

- (1) If an SLP fails to meet the 5% quoting requirement, the following non-regulatory penalties may be imposed by the Exchange:
 - (A) If, in any given calendar month, an SLP maintains a quote at the NBB or NBO averaging at least 5% of the trading day in any assigned security, such SLP will receive a financial rebate for that calendar month for all executed transactions as described in Section (b) ("Financial Rebates for Executed Transactions") of this Rule.
 - (B) If, in any calendar month, an SLP maintains a quote at the NBB or the NBO averaging less than 5% of the regular trading day in an assigned security, the SLP will not receive a financial rebate for that month for executed transactions in that particular assigned security as described in Section (b) ("Financial Rebates for Executed Transactions") of this Rule; and
 - (C) If an SLP fails to meet the 5% quoting requirement for three (3) consecutive calendar months in any assigned security, the SLP will be at risk of losing its SLP status, and the SLP Liaison Committee may, in its discretion, take the following non-regulatory actions:

- (i) revoke the assignment of the affected security(ies) from the SLP; and
- (ii) each time the SLP Liaison Committee revokes the assignment of an affected security for non-compliance with the 5% quoting requirement, as described in Section (i)(1)(C)(i) above, the SLP Liaison Committee reserves the right to revoke the assignment of an additional unaffected security from an SLP when there is a failure to comply with such quoting requirements; or
- (iii) disqualify a member organization's status as an SLP.

(2) Disqualification Determinations. The SLP Liaison Committee shall determine if and when a member organization is disqualified from its status as an SLP. One calendar month prior to any such determination, the SLP Liaison Committee will notify the SLP of such impending disqualification in writing. If the SLP fails to meet the 5% average quoting requirement (for a third consecutive month) in a particular security, the SLP may be disqualified from SLP status. When disqualification determinations are made, the SLP Liaison Committee will provide a disqualification notice to the member organization informing such member organization that it has been disqualified as an SLP.

(3) Re-application for SLP Status: In the event a member organization is disapproved pursuant to Section ([d]e)(6) or disqualified from its status as an SLP pursuant to Section ([i]j)(1)(C)(iii), such member organization may re-apply for SLP status in accordance with Section ([d]e) ("Application Process") of this Rule. Such application process shall occur at least three (3) calendar months following the month in which such member organization received its disapproval or disqualification notice.

([j]k) Appeal of Non-Regulatory Penalties

(1) In the event a member organization disputes the SLP Liaison Committee's decision to impose any non-regulatory penalties described above in Section (i) (Non-Regulatory Penalties) of this Rule, such member organization ("appellant") may request, within five (5) business days of receiving notice of the decision to impose such non-regulatory penalties, the Supplemental Liquidity Provider Panel ("SLP Panel") to review all such decisions to determine if such decisions were correct.

(A) In the event a member organization is disqualified from its status as an SLP pursuant to Section ([i]j)(1)(C)(iii) of this Rule, the SLP Liaison Committee shall not reassign the appellant's assigned securities to a different SLP until the SLP Panel has informed the appellant of its ruling.

(2) The SLP Panel shall consist of the Exchange's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and two (2) officers of the Exchange designated by the Head of the U.S. Markets Division.

(3) The SLP Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.

(4) The SLP Panel may overturn or modify an action taken by the SLP Liaison Committee under this Rule. All determinations by the SLP Panel shall constitute final action by the Exchange on the matter at issue.

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