

# Trading on ArcaEdge

## ArcaEdge Alternative Trading System

- ArcaEdge continues to be a truly unique participant in today's OTC equities marketplace.
- Speed, transparency and liquidity make us your preeminent choice for better OTC executions.

Welcome to the ArcaEdge Alternative Trading System (ATS), an NYSE Euronext electronic platform for trading Over-the-Counter (OTC) Equity Securities. ArcaEdge, the longest-serving ATS within the OTCBB market, offers fast, fair and efficient executions for your OTC Equity Security orders.

Benefits of the ArcaEdge system include:

- ❑ A structure that incorporates limit and market order protection, limit order display and NBBO price protection
- ❑ Access to all market participants via a sophisticated routing system
- ❑ Ability to choose anonymous or attributed quote representation
- ❑ Innovative order types
- ❑ Principals consistent with the three-quote requirement, the 'Manning Rule,' and exemptions afforded to continuously quoted securities
- ❑ Availability of full, transparent display of your customer's orders

### The ArcaEdge Model

The ArcaEdge philosophy is simple: offer best-price executions based on speed and transparency within the OTC Equity Securities marketplace. This begins with our efforts to identify OTC Equity Securities available for immediate quotation,\* and verifying each order for compliance with the three-quote requirement. This allows our subscribers and their customers access to the market without the additional delays. Once entered, our subscriber's orders are handled by both the electronic and manual processes for execution at prices equal to or better than the National Best Bid or Offer (NBBO) for each security.

### Execution of Your Order

All market orders or marketable limit orders are executed based on best-price methodology. Your order will either instantly execute against the ArcaEdge electronic limit order file (the Book) at prices equal to or better than the NBBO, or they will enter into the ArcaEdge routing process to obtain the NBBO.

- ❑ Marketable orders not matched on the ArcaEdge Book will first attempt to electronically route, via private connections or NASDAQ ACES, to Market Makers, ATSS and ECNs that are quoted at the NBBO on the OTCBB Montage or Pink Sheets.
- ❑ Marketable orders that cannot execute electronically will lock the NBBO while subsequently being placed into a queue for manual routing to the NBBO quotes.

Any unexecuted orders, or portion thereof, will be ranked in the ArcaEdge Book on a strict price-capacity-time priority, and displayed in accordance with the client's instructions. The full depth of Book is displayed to all ArcaEdge subscribers. The best ranked bids and offers meeting the tier size display requirements are disseminated to the OTC Bulletin Board montage for display and possible execution against orders of other market participants.

\*Only securities which have been identified as being exempt from the filing requirements of SEC Rule 15c2-11 ("piggy back-eligible" securities) are allowed to be entered into the ArcaEdge system. Although the systems of ArcaEdge are designed to identify securities exempt from the filing requirements of Rule 15c2-11, such obligations and requirements remain the responsibility of the entering party.

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## Connecting to ArcaEdge

**FIX** – This industry standard protocol supports all ArcaEdge order types via versions 4.0, 4.1 and 4.2. Connecting to ArcaEdge is fast, cheap and easy. The same connectivity that you currently use to access NYSE Arca may be leveraged to include your ArcaEdge order flow, without the need for increased bandwidth. Whether you use your own front-end system or a service bureau, connecting to our system can be as easy as trading on it.

## Order Types

On ArcaEdge, subscribers may enter a variety of order types, as described more fully below.

**Market Order** - An order to be executed at the best available market price.

**Limit Order** - An order to buy or sell a security at or better than a specified price.

**Reserve Order Size (RSV)** - A reserve order that replenishes the displayed order size as executions are received, up to the total order quantity; away markets are routed at their quoted size or larger (if applicable) when hitting the bid or taking the offer.

**Stop Market** - An order to buy or sell that becomes a market order once a specified price is reached or penetrated. The order is stored, held and not displayed until the strike price is at or inside the NBBO.

**Stop Limit** - An order to buy or sell at a specified price or better after a given stop price has been reached or passed. The order is stored, held and not displayed until the strike price is at or inside the NBBO.

**PNP +** - A limit order to buy or sell that is to be executed in whole or in part on ArcaEdge. The portion not executed is posted in the

ArcaEdge Book without routing any portion of the order to another market center. PNP+ orders will be restricted by the NBBO (when quotes are greater than or equal to quotation tier size) and may not lock or cross the NBBO, instead they will micro penny back.

## Time In Force

**Fill or Kill (FOK)** - An order that requires the immediate execution of the entire share quantity at the specified price or cancel the order.

**Immediate Or Cancel (IOC)** - An order that requires the immediate execution of as many shares as can be filled against resident ArcaEdge liquidity at a price up to and including the limit price; with instructions to cancel the remaining unfilled shares. To protect the subscriber, market IOC orders will not be accepted.

**Day** - An order to buy or sell; if not executed will expire at the end of the trading day.

**DAY+** - An order to buy or sell that will be eligible for display and execution during the pre-market (8 a.m. to 9:30 a.m. ET) and core trading (9:30 a.m. to 4:01 p.m. ET) sessions.

## Becoming a Subscriber

Any SEC registered broker or dealer in good standing may subscribe to ArcaEdge simply through completion of the Subscriber Agreement and an Attachment 2, easing the subscriber's trade reporting responsibilities for orders executed on our platform.

## Contact

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