

NYSE Arca Crowd Participant Program FAQ

1. What is the NYSE Arca Crowd Participant Program (“CPP”)?

Under the Crowd Participant Program multiple Crowd Participants (“CPs”) compete with each other to have the greatest aggregate displayed size at the National Best Bid and Offer (“NBBO”) to win a daily dollar amount. The intent of the program is to enhance the market quality of the Exchange Trade Product (“ETP”). The CPP offers ETP issuers an alternative choice to the existing NYSE Arca Lead Market Maker Program and the NYSE Arca ETP Incentive Program.

2. How will NYSE Arca Measure the CP’s Performance?

NYSE Arca will measure the performance of a CP in an assigned ETP by calculating Size Event Tests (“SETs”). The Exchange will measure the quoted displayed size at the National Best Bid (“NBB”) and National Best Offer (“NBO”) of each CP at least once per second to determine their bid (offer) SETs. A CP will have the winning bid (offer) SET if, at the time of the SET, the CP:

- was quoting at least 500 shares of the ETP at the NBB (NBO);
- had the greatest aggregate displayed size at the NBB (NBO); and
- was quoting an offer of at least 100 shares at a price at or within 1.2% of the CP’s best quotes an offer of at least 100 shares at a price at or within 1.2% of the CP’s best offer (if intending to compete for the daily dollar amount at the NBB). If intending to compete for the daily dollar amount at the NBO, the CP must quote a bid of at least 100 shares at a price at or within 1.2% of the CP’s best bid.

Each CPs total number of winning SETs on the bid side and offer side are aggregated for the entire day to determine the winning CPs and second place CPs on both the bid and the offer.

3. How will NYSE Arca calculate the daily dollar amount for the winning CPs?

Half of the daily dollar amount will be paid to the bid side. The other half will go to the offer side. In addition, 70% of the daily dollar amount will be credited to the CPs with the highest number of winning SETs on each side. The remaining 30% of the daily dollar amount will be credited to the CPs with the second highest number of winning SETs on each side.

If more than two CPs have an equal number of winning SETs, the CP with the higher executed volume in the security on the Exchange on the particular trading day will be awarded the applicable daily amount. An example of the process can be found below:

EXAMPLE OF THE CPP PAYMENT PROCESS

Issuer Annual Payment (Issuer Decides to Contribute This Amount to the CPP for 1 Product)	\$100,000
NYSE Arca 5% Administrative Fee (NYSE Arca’s Cut from the Annual Payment)	\$5,000
Total Amount Available to Pay to CPs	\$95,000
# of Trading Days in 1 Year	252
Total Daily Dollar Amount Available to CPs (=\$95,000/252)	\$377
Winner for the day receives 70% (=\$377 x .70)	\$264
Second Place winner for the day receives 30% (=\$377 x .30)	\$113

POTENTIALLY FOUR RECIPIENTS OF THE DAILY AMOUNTS

Winner of Best Bid (=\$264/2)	\$132
Winner of Best Offer (=\$264/2)	\$132
Second Place of Best Bid (=\$113/2)	\$57
Second Place of Best Offer (=\$113/2)	\$57

4. How can a firm become a CP?

In order to become a CP, a firm must be an approved Market Making Equity Trading Permit (METP) Holder. The link to become an METP is: https://usequities.nyx.com/sites/usequities.nyx.com/files/nyse_arca_equities_metp_application_march_2013.pdf. Any firm that is an approved METP is eligible to become a CP. When the ETP Issuer selects the CPP for their ETP, NYSE Arca will email the notification to all potential METP Holders requesting the application, announcing the date the symbol will enter the program and the dollar amount selected by the ETP Issuer. After the application submission deadline, NYSE Arca will send an email confirming all CPs for the symbol and post this information on our website at the below website link. CPs will be notified of their rank in each symbol each day at the close of business and will be paid the total daily dollar amounts on a monthly basis.

5. What requirements must the CP meet to be compensated?

The CP needs to maintain continuous, two-sided displayed quotes or orders in accordance with NYSE Arca Rule 7.23 for each ETP. In addition, the CP will also need to meet a daily quoting requirement of having at least 10% of the winning tests for the day in order to be eligible for the daily payment amount. Finally, the CP will also need to meet a monthly quoting requirement of showing 100 shares at the NBBO for at least 10% of the time for the month. Failure to meet the monthly requirement for three consecutive months could result in the CP being subject to the potential withdrawal of its status.

6. What is the length of the CPP pilot?

The program will be a one year pilot from the date of launch. At the end of the pilot period, the Exchange will determine whether to file with the SEC a request to extend the pilot, discontinue it or request to make the program permanent.

7. What are the costs involved?

In addition to the standard listing fees for ETPs, the ETP Issuer will determine the amount they will pay annually per product between \$50,000 - \$100,000 (billed quarterly and in addition to the regular listing fees). NYSE Arca charges a 5% administrative fee on the amount selected by the ETP Issuer.

8. Can all ETPs participate in the pilot?

All ETFs and ETVs that trade under one million shares on a consolidated average daily volume basis are eligible to participate in the pilot. New product launches are also eligible. There is no limit as to the number of products the ETP Issuer would like to place in this program.

9. Where can I find more details?

The rule filing for the CPP can be found here:
<https://www.sec.gov/sro/nysearca/2014/34-71804.pdf>

The webpage can be found here:
<https://nyse.nyx.com/etp/trading/crowd-participant-program>

For additional questions about the program, please contact:

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To become a NYSE Arca Market Making Equity Trading Permit holder, please contact:

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