

## OMB APPROVAL

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Page 1 of * 413	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2017 - * 01 Amendment No. (req. for Amendments *)
Filing by NYSE MKT LLC. Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * <input checked="" type="checkbox"/> Amendment * <input type="checkbox"/> Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/> Section 19(b)(3)(A) * <input type="checkbox"/> Section 19(b)(3)(B) * <input type="checkbox"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)
Pilot <input type="checkbox"/> Extension of Time Period for Commission Action * <input type="checkbox"/> Date Expires *		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/>		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>
Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>	
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div style="border: 1px solid black; padding: 5px; min-height: 40px;">           Proposes new rules to transition trading on the Exchange to Pillar         </div>		
<b>Contact Information</b> Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.		
First Name * Clare Last Name * Saperstein Title * Associate General Counsel NYSE Group Inc E-mail * Clare.Saperstein@theice.com Telephone * (212) 656-2355 Fax (212) 656-8101		
<b>Signature</b> Pursuant to the requirements of the Securities Exchange Act of 1934, has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. <div style="text-align: right;">(Title *)</div> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 40%;">         Date 01/09/2017          By Martha Redding  <small>(Name *)</small> </div> <div style="width: 55%;"> <div style="border: 1px solid black; padding: 5px; min-height: 40px; text-align: center;">           Assistant Secretary         </div> <div style="border: 1px solid black; padding: 5px; text-align: center; margin-top: 5px;">           Martha Redding, mredding@nyx.com         </div> </div> </div> <p style="font-size: small;">NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.</p>		

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

- (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> NYSE MKT LLC (“NYSE MKT” or the “Exchange”) proposes new rules to transition trading on the Exchange to Pillar, the Exchange’s new trading technology platform, and to operate as a fully-automated cash equities market.

A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and the text of the proposed rule change is attached as Exhibit 5.

- (b) The Exchange does not believe that the proposed rule change will have any direct effect, or any significant indirect effect, on any other Exchange rule in effect at the time of this filing.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

Senior management has approved the proposed rule change pursuant to authority delegated to it by the Board of the Exchange. No further action by the Board of Directors or the membership of the Exchange is required. Therefore, the Exchange’s internal procedures with respect to the proposed change are complete.

The person on the Exchange staff prepared to respond to questions and comments on the proposed rule change is:

Clare F. Saperstein  
Associate General Counsel  
NYSE Group, Inc.  
(212) 656-2355

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

- (a) Purpose

On January 29, 2015, the Exchange announced the implementation of Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by the Exchange and its affiliates, NYSE Arca, Inc. (“NYSE Arca”) and New York

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Stock Exchange LLC (“NYSE”).<sup>3</sup> NYSE Arca Equities, Inc. (“NYSE Arca Equities”),<sup>4</sup> which operates the cash equities trading platform for NYSE Arca, was the first trading system to migrate to Pillar.<sup>5</sup>

### Overview

With Pillar, the Exchange proposes to transition its cash equities trading platform from a Floor-based market with a parity allocation model to a fully automated price-time priority allocation model. As such, when the Exchange transitions to Pillar, the Exchange would no longer have a Floor-based point-of-sale trading model. As a consequence, the Exchange is proposing to replace its Floor-based Designated Market Makers (“DMM”) with electronic DMMs, and would no longer have Floor brokers or support Supplemental Liquidity Providers as a separate class of participant on the Exchange.<sup>6</sup>

The Exchange also proposes to expand the securities it trades to all NMS securities, including securities listed on NYSE, NYSE Arca, the Nasdaq Stock Market LLC (“Nasdaq”), and the Bats BZX Exchange, Inc. (“Bats”). Trading of securities on an unlisted trading privileges basis would be subject to the same trading rules as trading of securities listed on the Exchange, except for specified rules directed to the Exchange’s responsibility as a primary listing market, e.g.,

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<sup>3</sup> See Trader Update dated January 29, 2015, available here: [http://www1.nyse.com/pdfs/Pillar\\_Trader\\_Update\\_Jan\\_2015.pdf](http://www1.nyse.com/pdfs/Pillar_Trader_Update_Jan_2015.pdf).

<sup>4</sup> NYSE Arca Equities is a wholly-owned corporation of NYSE Arca and operates as a facility of NYSE Arca.

<sup>5</sup> In connection with the NYSE Arca implementation of Pillar, NYSE Arca filed four rule proposals relating to Pillar. See Securities Exchange Act Release Nos. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (Notice) and 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) (SR-NYSEArca-2015-38) (Approval Order of NYSE Arca Pillar I Filing, adopting rules for Trading Sessions, Order Ranking and Display, and Order Execution); Securities Exchange Act Release Nos. 75497 (July 21, 2015), 80 FR 45022 (July 28, 2015) (Notice) and 76267 (October 26, 2015), 80 FR 66951 (October 30, 2015) (SR-NYSEArca-2015-56) (Approval Order of NYSE Arca Pillar II Filing, adopting rules for Orders and Modifiers and the Retail Liquidity Program); Securities Exchange Act Release Nos. 75467 (July 16, 2015), 80 FR 43515 (July 22, 2015) (Notice) and 76198 (October 20, 2015), 80 FR 65274 (October 26, 2015) (SR-NYSEArca-2015-58) (Approval Order of NYSE Arca Pillar III Filing, adopting rules for Trading Halts, Short Sales, Limit Up-Limit Down, and Odd Lots and Mixed Lots); and Securities Exchange Act Release Nos. 76085 (October 6, 2015), 80 FR 61513 (October 13, 2015) (Notice) and 76869 (January 11, 2016), 81 FR 2276 (January 15, 2016) (Approval Order of NYSE Arca Pillar IV Filing, adopting rules for Auctions).

<sup>6</sup> See, e.g., Rule 107B – Equities.

proposed Rules 7.11E and 7.16E, described in further detail below.

The Exchange will be filing several proposed rule changes to support the NYSE MKT cash equities implementation of Pillar. The Exchange has already adopted the rule numbering framework of the NYSE Arca Equities rules for Exchange cash equities trading on the Pillar trading platform.<sup>7</sup> As described in the Framework Filing, the Exchange is denoting the rules applicable to cash equities trading on Pillar with the letter “E” to distinguish such rules from current Exchange rules with the same numbering.<sup>8</sup> In addition, the Exchange has filed a proposed rule change to support Exchange trading of securities listed on NYSE, NYSE Arca, and other exchanges on an unlisted trading privileges basis, including Exchange Traded Products (“ETP”) listed on other exchanges.<sup>9</sup>

In this filing, the Exchange proposes trading rules that would govern Exchange cash equities trading on Pillar. All trading would be automated, including opening, re-opening, and closing auctions. As proposed, the Exchange’s Pillar cash equities trading platform would be based on the rules and trading model of NYSE Arca Equities, which is a fully-automated price-time priority allocation model with registered market makers.

As discussed in the Framework Filing, Rules 1E – 13E govern cash equities trading on the Pillar platform.<sup>10</sup> In particular, Rule 7E Equities Trading would

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<sup>7</sup> See Securities Exchange Act Release No. 79242 (November 4, 2016), 81 FR 79081 (November 10, 2016) (SR-NYSEMKT-2016-97) (Notice and Filing of Immediate Effectiveness of Proposed Rule Change) (the “Framework Filing”).

<sup>8</sup> To distinguish Rule 1E – 13E from Exchange rules that govern options trading, the Exchange proposes a non-substantive change to amend the description of “Pillar Platform Rules” after Rule 0 – Equities to specify that these are “cash equities” rules.

<sup>9</sup> See Securities Exchange Act Release No. 79400 (November 25, 2016), 81 FR 86750 (December 1, 2016) (SR-NYSEMKT-2016-103) (Notice) (the “ETP Listing Rules Filing”). When trading on Pillar, the Exchange would not be relying on Rule 500 – Equities – Rule 525 – Equities for authority to trade securities on an unlisted trading privileges basis. Accordingly, the Exchange proposes to amend Rule 500 – Equities to provide that the Rules of that series (Rules 500 – Equities – Rule 525 – Equities) would not be applicable to trading on the Pillar trading platform. To use terms applicable to trading on Pillar, the Exchange also proposes to amend Rule 2A(b)(2) – Equities to replace the term “Nasdaq Security” with the term “UTP Security” and replace the rule reference from Rule 501 – Equities to Rule 1.1E(ii).

<sup>10</sup> Rules 1E – 13E are including in the “Equities Rules” portion of the Exchange’s rule book. Pursuant to Rule 0 – Equities, the Equities Rules govern all transactions conducted on the Equities Trading Systems.

establish the trading rules. Rule 7E Equities Trading would be based on NYSE Arca Equities Rule 7 Equities Trading.

In addition, to support the proposed fully-automated market, the Exchange is proposing rules based on NYSE Arca Equities Rules 1 Definitions, 2 Equity Trading Permits, 3 Organization and Administration, 6 Business Conduct, Rule 12 Arbitration, and Rule 13 Liability of Directors and Exchange.

The Exchange proposes the following differences to how it will function on Pillar as compared to NYSE Arca Equities:

- To be addressed in a separate filing, for securities listed on NYSE MKT, the Exchange would maintain DMMs. These electronic-access DMMs would be subject to rules-based heightened quoting obligations vis-à-vis their assigned securities. For all securities that would trade on the Exchange, including UTP securities, the Exchange would have electronic registered market makers with obligations similar to the obligations of market makers on NYSE Arca Equities.
- The Exchange would not offer a Retail Liquidity Program and related order types (Retail Orders and Retail Price Improvement Orders).
- The Exchange would offer three trading sessions, but the Early Trading Session would begin at 7:00 a.m. Eastern Time instead of 4:00 a.m. Eastern Time.
- ETP Holders would communicate with the Pillar trading platform using Pillar phase II protocols only.

Subject to rule approvals, the Exchange will announce the transition of its cash equities trading to the Pillar trading system by Trader Update, which the Exchange anticipates will be in the second quarter of 2017.

Because the Exchange would not be trading on both its current Floor-based trading platform and the Pillar trading platform at the same time, once trading on the Pillar trading platform begins, specified current Exchange equities trading rules would no longer be applicable. Accordingly, as described in more detail below, for each current equities rule that would no longer be applicable when trading on the Pillar trading platform begins, the Exchange proposes to state in a preamble to such rule that “this rule is not applicable to trading on the Pillar trading platform.”<sup>11</sup> Once the Exchange has transitioned to the Pillar trading

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<sup>11</sup> The Exchange proposes to amend the description of Cash Equities Pillar Platform Rules, which precedes Rule 1E, to delete the last sentence, which currently provides that “[t]he following rules will not be applicable to trading on the Pillar trading platform: Rules 7 - Equities, 55 - Equities, 56 - Equities, 62 – Equities, and 80B - Equities.” As proposed, the inapplicability of these rules on the Pillar

platform, the Exchange will file a separate proposed rule change to delete those current rules that have been identified in this filing as not being applicable to trading on Pillar. Current Exchange rules governing equities trading that do not have this preamble will continue to govern Exchange operations on its cash equities trading platform.

### Proposed Rule Changes

As noted above, the Exchange proposes rules that would be applicable to cash equities trading on Pillar that are based on NYSE Arca Equities Rules. As a global matter, the Exchange proposes non-substantive differences as compared to the NYSE Arca Equities rules to use the term “Exchange” instead of the terms “NYSE Arca Marketplace,” “NYSE Arca,” or “Corporation,” and to use the terms “mean” or “have the meaning” instead of the terms “shall mean” or “shall have the meaning.”<sup>12</sup>

### Rule 1E

As described in the Framework Filing, Rule 1E specifies definitions that are applicable to trading on the Pillar trading platform. The Exchange proposes the following additional definitions:

- Proposed Rule 1.1E(a) would define the term “Exchange Book” as the Exchange’s electronic file of orders. This proposed rule is based on NYSE Arca Equities Rule 1.1(a), which defines the term “NYSE Arca Book,” with a non-substantive difference to not include the following phrase in the Exchange’s proposed rule: “which contains all orders entered on the NYSE Arca Marketplace.” The Exchange believes that this clause is redundant of the description of the Exchange Book.
- Proposed Rule 1.1E(g) would define the term “Authorized Trader” or “AT” to mean a person who may submit orders to the Exchange’s cash equities Trading Facilities on behalf of his or her ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 1.1(g) with non-substantive differences to reflect that the Exchange will not have sponsored participants.

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platform would be addressed in the preamble that the Exchange proposes to add to each of these rules. The Exchange further proposes to retain Rule 56 – Equities when the Exchange migrates to Pillar, as it addresses the unit of trading for rights, which are listed on the Exchange.

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Because these non-substantive differences would be applied throughout the proposed rules, the Exchange will not note these differences separately for each proposed rule.

- Proposed Rule 1.1E(j) would define the term “Core Trading Hours” to mean the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time or such other hours as may be determined from the Exchange from time to time. This proposed rule is based on NYSE Arca Equities rule 1.1(j).
- Proposed Rule 1.1E(k) would define the term “Exchange” to mean NYSE MKT. Because the term “Exchange” would be defined in proposed Rule 1.1E(k), the Exchange proposes that Rule 1 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 1.1E(m) would define the term “ETP” to mean an Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange’s cash equity Pillar trading platform pursuant to Rules 1E – 13E. The proposed rule would further provide that an ETP may be issued to a sole proprietor, partnership, corporation, limited liability company or other organization that is a registered broker or dealer pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, and which has been approved by the Exchange as a member organization. This proposed rule text is based on NYSE Arca Equities Rule 1.1(m) with non-substantive differences to specify that an ETP is the permit for effecting approved securities transaction on the Exchange’s cash equity Pillar trading platform pursuant to Rules 1E – 13E. As described in greater detail below, the Exchange proposes to use ETPs to permission its member organizations to trade on its Pillar cash equities trading platform.
- Proposed Rule 1.1E(n) would define the term “ETP Holder” to mean a member organization that has been issued an ETP. The proposed rule would further provide that an ETP Holder would agree to be bound by the Rules of the Exchange, and by all applicable rules and regulations of the Securities and Exchange Commission. This proposed rule is based on NYSE Arca Equities Rule 1.1(n), with a proposed difference to reference the term “member organization,” which is defined in Rule 2(b) – Equities.
- Proposed Rule 1.1E(p) would define the term “General Authorized Trader” or “GAT” to mean an AT who performs only non-market making activities on behalf of an ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 1.1(p) without any substantive differences.
- Proposed Rule 1.1E(u) would define the term “Marketable” to



mean, for a Limit Order, an order than can be immediately executed or routed. The proposed rule would further provide that Market Orders are always considered Marketable. This proposed rule text is based on NYSE Arca Equities Rule 1.1(u).

- Proposed Rule 1.1E(gg) would define the term “Official Closing Price” as the reference price to determine the closing price in a securities for purposes of Rule 7E Equities Trading. Proposed Rules 1.1(gg)(1) – (5) would specify how the Exchange would determine an Official Closing Price in all circumstances, including when the Exchange is unable to conduct a Closing Auction in one or more Exchange-listed securities due to a systems or technical issue, and is based on NYSE Arca Equities Rule 1.1(gg) without any substantive differences. Proposed Rule 1.1E(gg), together with proposed Rule 7.35E described in greater detail below, would obviate current Rule 123C – Equities (The Closing Procedures).<sup>13</sup> Accordingly, the Exchange proposes to specify that Rule 123C – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 1.1E(rr) would define the term “security” and “securities” to mean any security as defined in in Rule 3(a)(10) under the Securities Exchange Act of 1934; provided, however, that for purposes of Rule 7E such terms mean any NMS stock. This proposed rule is based on NYSE Arca Equities Rule 1.1(ss) without any substantive differences. Because the term “security” would be defined in proposed Rule 1.1E(rr), the Exchange proposes to specify that Rules 3 – Equities and 4 – Equities, which define the terms “Security” and “Stock” would not be applicable to trading on the Pillar trading platform. In addition, because the Exchange would not be trading bonds on its Pillar cash equities trading platform, the Exchange proposes to specify that Rule 5 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 1.1E(ss) would define the term “Self-Regulatory Organization (‘SRO’)” as having the same meaning as set forth in the provisions of the Securities Exchange Act of 1934 relating to national securities exchanges. This proposed rule text is based on NYSE Arca Equities Rule 1.1(ss) without any substantive differences.

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Rule 123C(1)(e) - Equities sets forth how the Exchange currently determines the Official Closing Price of a security listed on the Exchange.

- Proposed Rule 1.1E(xx) would define the term “Trading Facilities” or “Facilities” to mean any and all electronic or automated trading systems provided by the Exchange to ETP Holders. This proposed rule text is based on NYSE Arca Equities Rule 1.1(xx) without any substantive differences.
- The Exchange proposes to amend Rule 1.1E(hhh) to add the letter “E” to the reference to Rule 7 in this rule.

### Rule 2E

The Exchange proposes to amend Rule 2E to delete the term “Reserved” and re-name this rule as “Equity Trading Permits.” The Exchange proposes rules to support Equity Trading Permits (“ETP”) on the Exchange for trading on the Pillar trading platform that are based on NYSE Arca Equities Rule 2.

Currently, Rule 300 – Equities governs trading licenses on the Exchange. Under that rule, a trading license issued by the Exchange is required to effect transactions on the floor of the Exchange or through any facility thereof and an organization may acquire and hold a trading license only if and for so long as such organization is qualified and approved to be a member organization of the Exchange. The Exchange’s current trading license rule is identical to NYSE Rule 300 and a single trading license provides an Exchange member organization with the ability to trade on both the Exchange and NYSE.

To trade on Pillar, the Exchange proposes that a member organization would need an ETP.<sup>14</sup> Accordingly, a trading license issued under Rule 300 - Equities would not permit a member organization to trade on the Exchange’s Pillar cash equities trading platform. Instead, as proposed, a member organization would be eligible to obtain an ETP to trade on the Exchange’s cash equities Pillar trading platform. As noted above, member organizations that have been issued an ETP would be referred to in Exchange rules as “ETP Holders.”<sup>15</sup>

In addition, because the Exchange would operate as a fully-automated market, the Exchange proposes rules that mirror those of NYSE Arca Equities with respect to

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<sup>14</sup> The Exchange will file a separate proposed rule change to specify fees for cash equities trading on NYSE MKT when it transitions to Pillar.

<sup>15</sup> At this time, the Exchange is not proposing rules, comparable to those in NYSE Arca Equities Rule 2, that specify the requirements to be approved as a member of the Exchange. Accordingly, the Exchange proposes that the rule numbers under Rule 2E that would support membership requirements would be designated as “Reserved.” Instead, the Exchange’s current rules governing the definition of a member organization and the requirements to be approved as a member organization would continue to apply.

requirements relating to employees of ETP Holders. Accordingly, ETP Holders accessing the Exchange on its Pillar cash equities trading platform would have the same employee registration requirements as NYSE Arca Equities.

- Proposed Rule 2.2E (Qualification of Applicants) would provide that an ETP may be held by an entity that is approved as a member organization. This proposed rule is based in part on the first sentence of NYSE Arca Equities Rule 2.2, which provides that an ETP on NYSE Arca Equities may be held by an entity that is a registered broker or dealer pursuant to Section 15 of the Act, as amended, including sole proprietors, partnerships, limited liability partnerships, corporations, and limited liability companies. The Exchange would not include in its Rule 2.2E the text in NYSE Arca Equities Rule 2.2 relating to registered broker dealers because it is duplicative of Rule 2(b)(i), which defines the term member organization on the Exchange.
- Proposed Rule 2.4E (Denial or Conditions to ETPs) would govern the denial or conditions to ETPs and is based on NYSE Arca Equities Rule 2.4 without any substantive differences. Paragraphs (a) and (b) of proposed Rule 2.4E would specify the circumstances when the Exchange could deny or condition trading privileges on the Exchange, and these circumstances are identical to those specified in NYSE Arca Equities Rule 2.4(a) and (b).

The proposed rule would separately specify the Series 7 Examination requirement for traders of ETP Holders for which the Exchange is the Designated Examining Authority. These proposed requirements are identical to the Series 7 Examination requirements for ETP Holders on NYSE Arca Equities. The Exchange proposes a non-substantive difference to paragraphs (c) and (f) of proposed Rule 2.4E to cross-reference Rule 9522 instead of NYSE Arca Equities Rule 10.

- Proposed Rule 2.6E (Revocable Privilege) would specify that the issuance of an ETP would constitute only a revocable privilege and confers on its holder no right or interest of any nature to continue as an ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 2.6 without any differences. The Exchange also proposes to add a sub-header to Exchange rules immediately preceding Rule 2.6E that would provide “Requirements of Holding an ETP.” This proposed text is based on the sub-header before NYSE Arca Equities Rule 2.6 that provides “Requirements of Holding an ETP Requirements Applicable Generally.” The Exchange proposes an abbreviated form of the sub-header to eliminate unnecessary text.

Because proposed Rule 2.6E, together with proposed Rule 2.4E, would establish the requirements for a member organization to obtain an ETP, the Exchange proposes that Rule 300 – Equities would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 2.17E (Activity Assessment Fees) would specify the Activity Assessment Fees applicable for securities transactions effected on the Exchange as required by Section 31 of the Act. This proposed rule is based on NYSE Arca Equities Rule 2.17. The Exchange does not propose to adopt rule text based on Commentary .01 to NYSE Arca Equities Rule 2.17 because it related to a temporary program that automatically sunsetted on December 31, 2009.

Because proposed Rule 2.17E would establish Activity Assessment Fees, the Exchange proposes that Rule 440H – Equities, which similarly governs Activity Assessment Fees, would not apply to trading on the Pillar trading platform.

- Proposed Rule 2.21E (Employees of ETP Holders Registration) would specify the registration requirements for employees of ETP Holders. This proposed rule is based on NYSE Arca Equities Rule 2.21 without any substantive differences. Accordingly, this rule would specify employee registration requirements for trading on the Exchange, including examination requirements, continuing education requirements, and procedures to register employees.

Because proposed Rule 2.21E, together with proposed Rule 2.4E, would specify employee registration requirements applicable to trading on the Exchange on its cash equities Pillar trading platform, the Exchange proposes to specify that the following rules, which govern current trading employee registration requirements, would not be applicable to trading on the Pillar trading platform: Rule 345 – Equities (Employees – Registration, Approval, Records) and Rule 345A – Equities (Continuing Education for Registered Persons). The Exchange also proposes that the requirement for a member organization that a member organization that conducts a DMM business has a Series 14A requirement, as set forth in Rule 342 – Equities, would not be applicable to trading on the Pillar trading platform. However, the Exchange would retain the non-Floor-based Compliance Supervisor requirements of Rule 342 – Equities.

- Proposed Rule 2.22E would specify the Exchange Back-Up Systems and Mandatory Testing Requirements of the Exchange

and is based on Rule 49(b) – Equities without any substantive changes. The Exchange proposes to move this rule text to Rule 2.22E so that it has the same rule number as the rules of NYSE Arca Equities. Because member organizations trading on the Exchange’s cash equities Pillar trading platform would be designated as “ETP Holders” in Exchange rules, the Exchange proposes to use the term “ETP Holder” instead of “member organization” in proposed Rule 2.22E.

The Exchange proposes to designate the entirety of Rule 49 – Equities (Exchange Business Continuity and Disaster Recovery Plans and Mandatory Testing) as not applicable to trading on the Pillar trading platform. Because the Exchange would trade in its secondary data center under the same rules as would be applicable to trading on its primary data center, the procedures specified in Rule 49(a) – Equities would no longer be applicable.

- Proposed Rule 2.24E (ETP Books and Records) would establish an ETP Holder’s books and records requirements and is based on NYSE Arca Equities Rule 2.24 without any substantive differences. Because proposed Rule 2.24E would establish the same requirements as set forth in current Rule 440 – Equities (Books and Records), the Exchange proposes that Rule 440 – Equities would not be applicable to trading on the Pillar trading platform.

### Rule 3E

The Exchange proposes to amend Rule 3E to delete the term “Reserved” and re-name it “Organization and Administration.” Proposed Part I of Rule 3E would be designated as “Reserved.” Proposed Part II of Rule 3E would be designated “Regulation” and proposed Part III of Rule 3E would be designated “Dues, Fees, and Fines.” Except as described below, the rules under Rule 3E would be designated as “Reserved” because the subject matter of the NYSE Arca Equities Rules with corresponding numbers are the subject of existing Exchange rules that would continue to apply.<sup>16</sup>

<sup>16</sup>

NYSE Arca Equities Rule 3 Part I relates to board committees, which are described in the Exchange’s Operating Agreement, which is available here: [https://www.theice.com/publicdocs/nyse/regulation/nyse-mkt/Tenth\\_Amended\\_and\\_Restated\\_Operating\\_Agreement\\_of\\_NYSE\\_MKT\\_LL\\_C.pdf](https://www.theice.com/publicdocs/nyse/regulation/nyse-mkt/Tenth_Amended_and_Restated_Operating_Agreement_of_NYSE_MKT_LL_C.pdf). NYSE Arca Equities Rules 3.4 and 3.5 relate to the self-regulatory responsibilities of NYSE Arca for the administration and enforcement of rules governing the operation of NYSE Arca Equities, its wholly owned subsidiary, and the delegation of authority from NYSE Arca to NYSE Arca Equities. Because the Exchange is itself a self-regulatory organization, these rules are inapplicable. The

- Proposed Rule 3.6E (Surveillance Agreements) would specify that the Exchange may enter into agreements with domestic and foreign self-regulatory organizations providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes. This proposed rule is based on NYSE Arca Equities 3.6 with no substantive differences. Because this rule covers the same subject matter as Rule 27 – Equities, the Exchange proposes that that Rule 27 - Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 3.11E (Fingerprint-Based Background Checks of Exchange Employees and Others) would establish the Exchange’s requirements for fingerprint-based background checks of Exchange employees and others. The proposed rule is based on NYSE Arca Equities Rule 3.11 and Rule 28 – Equities, which are identical rules. The Exchange proposes to move the rule text from Rule 28 - Equities to Rule 3.11E so that it has the same rule number as the same subject matter in the rules of NYSE Arca Equities. The Exchange further proposes that Rule 28 – Equities would not be applicable to trading on the Pillar trading platform.

#### Rule 6E

The Exchange proposes to amend Rule 6E to delete the term “Reserved” and re-name it “Business Conduct.” The Exchange proposes rules governing specified business conduct. Except as described below, the rules under Rule 6E would be designated as “Reserved.”

- Proposed Rule 6.3E (Prevention of the Misuse of Material, Nonpublic Information) would establish the Exchange’s requirement that every ETP Holder establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by such ETP Holder or persons associated with such ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 6.3 without any substantive differences. The Exchange proposes a non-substantive difference to refer to the Exchange’s “regulatory staff” instead of “Surveillance Department.”
- Proposed Rule 6.10E (ETP Holders Holding Options) would

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subject matter of NYSE Arca Equities Rule 3 Part III is addressed in the Exchange’s Disciplinary Rules and Rule 2B – Equities.

specify an ETP Holder's obligations with respect to trading on the Exchange when holding any options that are not issued by the Options Clearing Corporation. This proposed rule is based on NYSE Arca Equities Rule 6.10 without any substantive differences. Current Rule 96 - Equities (Limitations on Members' Trading Because of Options) sets forth a requirement similar to proposed Rule 6.10E, but that rule is only applicable to a member's trading while on the Floor for his own account or for any account in which he, his member organization, or any member, principal executive, or approved person of such organization is directly or indirectly interest. As proposed, Rule 6.10E would set forth these requirements and they would be applicable to all ETP Holders. In addition, the Exchange proposes that Rule 96 – Equities (Limitation on Members' Trading Because of Options) would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 6.12E (Joint Accounts) would describe requirements relating to joint accounts. The proposed rule is based on NYSE Arca Equities Rule 6.12 without any substantive differences. The Exchange proposes a non-substantive difference in that the proposed rule would not include the phrase “Application of the System” because such terms are not defined on the Exchange. The Exchange proposes that Rules 93 – Equities (Trading for Joint Account) and 94 – Equities (Designated Market Marker's or Odd-Lot Dealers Interest in Joint Accounts) would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 6.15E (Prenarranged Trades) would prohibit prearranged trades and is based on NYSE Arca Equities Rule 6.15(b) without any substantive differences. The Exchange proposes that Rule 78 – Equities, which similarly prohibits prearranged trades, would not be applicable to trading on the Pillar trading platform. The Exchange would not be adding rule text based on NYSE Arca Equities Rule 6.15(a), relating to prohibitions on engaging in manipulative practices or operations, because Rule 6140 – Equities already establishes these requirements.

#### Rule 7E Equities Trading

The Exchange proposes additional rules under Rule 7E Equities Trading.

As previously established in the Framework Filing, Section 1 of Rule 7E specifies the General Provisions relating to cash equities trading on the Pillar trading platform. The Exchange proposes the following additional rules:

- Proposed Rule 7.1E (Hours of Business) would specify that the Exchange would be open for the transaction of business on every business day. The proposed rule also sets forth when the CEO may take specified actions, such as halting or suspending trading in some or all securities on the Exchange. The proposed rule is based on NYSE Arca Equities Rule 7.1 and Rule 51 – Equities. The Exchange proposes that Rule 51 – Equities would not be applicable to trading on the Pillar trading platform. In addition, because the definition of the term “business day” in Rule 12 – Equities would be redundant of proposed Rule 7.1E, the Exchange proposes that Rule 12 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.2E (Holidays) would establish the holidays when the Exchange would not be open for business. The proposed rule is based on NYSE Arca Equities Rule 7.2 and Supplementary Material .10 to Rule 51 – Equities, including text that provides that when any holiday observed by the Exchange falls on a Sunday, the Exchange would not be open for business on the succeeding Monday, which is in Rule 51 – Equities.
- Proposed Rule 7.3E (Commissions) would establish that ETP Holders may not charge fixed commissions and must indicate whether acting as a broker or as principal. The proposed rule is based on NYSE Arca Equities Rule 7.3 without any substantive differences. Because Rule 388 – Equities (Prohibition Against Fixed Rates of Commission) also prohibits fixed commissions, the Exchange proposes that Rule 388 - Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.4E (Ex-Dividend or Ex-Right Dates) would establish the ex-dividend and ex-rights dates for stocks traded regular way. The proposed rule is based on NYSE Arca Equities Rule 7.4 without any substantive differences. The Exchange proposes that Rule 235 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.7E (Transmission of Bids or Offers) would establish that all bids and offers on the Exchange would be anonymous unless otherwise specified by the ETP Holder. The proposed rule is based on NYSE Arca Equities Rule 7.7 without any substantive differences.
- Proposed Rule 7.8E (Bid or Offer Deemed Regular Way) would establish that all bids and offers would be considered to be “regular way.” This proposed rule text is based on NYSE Arca Equities



Rule 7.8E. As proposed, the Exchange would not accept orders that, if executed, would not settle regular way. Accordingly, the Exchange proposes that Rules 12 – Equities, 14 – Equities, 73 – Equities, which each specify rules for orders that are not entered “regular way,” would not be applicable to trading on the Pillar trading platform. Currently, the Exchange accepts bids and offers that are not made regular way only from Floor brokers.

- Proposed Rule 7.9E (Execution Price Binding) would establish that, notwithstanding Exchange rules governing clearly erroneous executions, the price at which an order is executed is binding notwithstanding that an erroneous report is rendered. This proposed rule text is based on NYSE Arca Equities Rule 7.9 without any substantive differences. The Exchange proposes that Rules 71 – Equities (Precedence of Highest Bid and Lowest Offer) and 411 - Equities (Erroneous Reports) would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.10E (Clearly Erroneous Executions) would set forth the Exchange’s rules governing clearly erroneous executions. The proposed rule is based on NYSE Arca Equities Rule 7.10 without any substantive differences. The Exchange proposes rule text based on NYSE Arca Equities rather than current Rule 128 – Equities (Clearly Erroneous Executions) because the NYSE Arca Equities version of the rule uses the same terminology that the Exchange is proposing for the Pillar trading platform, e.g., references to Early, Core, and Late Trading Sessions. Accordingly, the Exchange proposes that Rule 128 – Equities (Clearly Erroneous Executions) would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.11E (Limit Up – Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility) would specify how the Exchange would comply with the Regulation NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”).<sup>17</sup> Because ETP Holders would communicate with the Exchange’s proposed Pillar trading platform using Pillar phase II protocols only, the proposed rule is based on NYSE Arca Equities Rule 7.11(a) rule text governing Pillar phase II protocols without any substantive differences.<sup>18</sup> In addition, the

<sup>17</sup> See Securities Exchange Act Release No. 77679 (April 21, 2016), 81 FR 24908 (April 27, 2016) (File No. 4-631) (Order approving 10<sup>th</sup> Amendment to the LULD Plan).

<sup>18</sup> See SR-NYSEArca-2016-170.

Exchange proposes that it would include rule text based on current NYSE Arca Equities Rule 7.11(b)(2) and (b)(5) only as the remaining provisions of NYSE Arca Equities Rule 7.11(b) are obsolete now that the LULD Plan has been fully implemented. The Exchange proposes that Rule 80C – Equities would not be applicable to trading on the Pillar trading platform.

- The Exchange proposes to amend paragraph (c)(i) of Rule 7.12E to change the rule cross reference from Rule 123D – Equities to Rule 7.35E(e). As described in greater detail below, the Exchange proposes Rule 7.35E to govern its auctions, including auctions following a trading halt. Accordingly, the procedures for reopening a security specified in Rule 123D – Equities would not be applicable on the Pillar trading platform.
- Proposed Rule 7.13E (Trading Suspensions) would establish authority for the Chair or the CEO of the Exchange to suspend trading in any and all securities that trade on the Exchange if such suspension would be in the public interest. This proposed rule is based on NYSE Arca Equities Rule 7.13 with non-substantive differences to use the term “CEO” instead of “President” and to omit a cross reference to a rule that is not applicable on the Exchange.
- Proposed Rule 7.14E (Clearance and Settlement) would establish the requirements regarding an ETP Holder’s arrangements for clearing. Because all post-trade functions on the Exchange’s Pillar trading platform would follow the NYSE Arca Equities procedures for post-trade processing, the Exchange proposes rules that are based on NYSE Arca Equities rules governing clearing. Accordingly, the proposed rule is based on NYSE Arca Equities Rule 7.14 without any substantive differences. The Exchange proposes that its current rules governing clearing, Rules 130 – Equities and 132 – Equities, would not be applicable to trading on the Pillar trading platform.<sup>19</sup>
- Proposed Rule 7.15E (Stock Option Transactions) would establish requirements for Market Makers relating to pool dealing and having an interest in an option that is not issued by the Options Clearing Corporation. The proposed rule is based on NYSE Arca Equities Rule 7.15 without any substantive differences. Because the proposed rule covers the same subject matter as Rule 105 –

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See also *infra* proposed Rules 7.33E (Capacity Codes) and 7.41E (Clearance and Settlement).

Equities, the Exchange proposes that this rule would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.16E (Short Sales) would establish requirements relating to short sales. The proposed rule is based on NYSE Arca Equities Rule 7.16 without any substantive differences. Because the proposed rule covers the same subject matter as Rule 440B – Equities (Short Sales), the Exchange proposes that Rule 440B – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.17E (Firm Orders and Quotes) would establish requirements that all orders and quotes must be firm. This proposed rule is based on NYSE Arca Equities Rule 7.17 without any substantive differences. Because on the Pillar trading platform, the Exchange would only publish automated quotations consistent with proposed Rule 7.17E, the Exchange proposes that Rule 60 – Equities (Dissemination of Quotations) would not be applicable to trading on the Pillar trading platform.<sup>20</sup>

As noted above, the Exchange will file a separate proposed rule change to establish rules relating to Market Makers, which will be in Section 2 of Rule 7E. The Exchange has proposed Rule 7.18E in the ETP Listing Rules Filing.<sup>21</sup>

Section 3 of Rule 7E sets forth Exchange trading rules for the Pillar trading platform. As noted above, the Exchange proposes certain substantive differences to how the Exchange would operate on the Pillar trading platform compared to how NYSE Arca Equities operates. These substantive differences would be reflected in the proposed rules governing Orders and Modifiers and Trading Sessions.

Proposed Rule 7.31E (Orders and Modifiers) would specify the orders and modifiers that would be available on the Exchange on the Pillar trading platform. The Exchange proposes to offer the same types of orders and modifiers that are available on NYSE Arca Equities, with specified substantive differences.

Proposed Rule 7.31E is based on NYSE Arca Equities Rule 7.31 with the following differences. With respect to Self-Trade Prevention (“STP”) Modifiers, because the Exchange would be operating on Pillar phase II protocols only, STPs

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<sup>20</sup> See also infra proposed Rule 7.36E regarding the display of orders on the Pillar trading platform.

<sup>21</sup> See supra note 9. The Exchange will file an amendment to the ETP Listing Rules Filing to add rule text for proposed paragraphs (b) and (c) of Rule 7.18E that would be based on NYSE Arca Equities Rule 7.18(b) and (c).

would be based on the MPID of an ETP Holder and not on an ETP ID. Accordingly, proposed Rule 7.31E(i)(2) would not include references from NYSE Arca Equities Rule 7.31(i)(2) relating to ETPIDs. In addition, Arca Only Orders, which are described in NYSE Arca Equities Rule 7.31(e)(1), would be named “MKT Only Orders” on the Exchange, as described in proposed Rule 7.31E(e)(1). The Exchange does not propose any substantive differences to how MKT Only Orders would function as compared to Arca Only Orders on NYSE Arca Equities. Next, the Exchange proposes that for Primary Only Day/IOC Orders, an ETP Holder may specify that an order in NYSE Arca-listed securities may include an instruction to be routed to NYSE Arca as a routable order, as set forth in proposed Rule 7.31E(f)(1)(B). Finally, because when operating on the Pillar phase II protocols, the Exchange would not accept order types with conflicting order instructions, the Exchange proposes not to include in proposed Rule 7.31E text based on Commentary .02 to NYSE Arca Equities Rule 7.31.

Because proposed Rule 7.31E would govern orders and modifiers, the Exchange proposes that Rule 13 – Equities (Orders and Modifiers) would not be applicable to trading on the Pillar trading platform. In addition, references to Trading Collars in Rule 1000(c) – Equities would not be applicable to trading on the Pillar Trading platform.<sup>22</sup>

Proposed Rule 7.34E would specify trading session on the Exchange. Similar to NYSE Arca Equities, the Exchange proposes that on the Pillar trading platform, it would have Early, Core, and Late Trading Sessions. Accordingly, proposed Rule 7.34E is based on NYSE Arca Equities Rule 7.34, with non-substantive differences. The Exchange proposes one substantive difference from NYSE Arca Equities Rule 7.34 in that the Early Trading Session would begin at 7:00 a.m. Eastern Time rather than 4:00 a.m. Eastern Time. Similar to NYSE Arca Equities, the Exchange would begin accepting orders 30 minutes before the Early Trading Session begins, which means order entry acceptance would begin at 6:30 a.m. Eastern Time instead of at 3:30 a.m. Eastern Time. These differences would be reflected in proposed Rule 7.34E(a)(1).

In addition, because the Exchange would use Pillar phase II protocols, proposed Rule 7.34E(b)(1) would specify that an order entered without a trading session designation would be rejected. In addition, the Exchange proposes that it would not include rule text based on NYSE Arca Equities Rule 7.34(b)(2) or (3).

The following proposed rules in Section 3 of Rule 7E would be based on existing NYSE Arca Equities rules without any substantive differences:

- Proposed Rule 7.29E (Access) would provide that the Exchange

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As described in greater detail below, the Exchange proposes that the entirety of Rule 1000 – Equities would not be applicable to trading on the Pillar trading platform.

would be available for entry and cancellation of orders by ETP Holders with authorized access. To obtain authorized access to the Exchange, each ETP Holder would be required to enter into a User Agreement. Proposed Rule 7.29E is based on NYSE Arca Equities Rule 7.29(a), without any substantive differences. The Exchange does not propose to include rule text based on NYSE Arca Equities Rule 7.29(b) because the Exchange would not offer sponsored access.

- Proposed Rule 7.30E (Authorized Traders) would establish requirements for ETP Holders relating to ATs. The proposed rule is based on NYSE Arca Equities Rule 7.30, without any substantive differences.
- Proposed Rule 7.32E (Order Entry) would establish requirements for order entry size. The proposed rule is based on NYSE Arca Equities Rule 7.32 without any substantive differences. The Exchange proposes that the current maximum order size references before subparagraph (a) in Rule 1000 - Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.33E (Capacity Codes) would establish requirements for capacity code information that ETP Holders must include with every order. The proposed rule is based on NYSE Arca Equities Rule 7.33 without any substantive differences. The Exchange proposes to use the title “Capacity Codes” instead of “ETP Holder User,” for proposed Rule 7.33E, which the Exchange believes provides more clarity regarding the content of the proposed rule. The Exchange proposes that the capacity code requirements in Supplementary Material .30(9) to Rule 132 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.35E (Auctions) would establish requirements for auctions on the Exchange. Because the Exchange proposes to automate all auctions and not have a DMM facilitate such auctions, the proposed rule is based on NYSE Arca Equities Rule 7.35 without any substantive differences. The Exchange proposes that paragraph (a)(10)(A), regarding Auction Collars for Trading Halt Auctions, which is based on a pilot rule of NYSE Arca Equities, would be in effect until SR-NYSEArca-2016-130 has been approved and a proposed rule change based on SR-NYSEArca-2016-130 for the Exchange is effective and operative.<sup>23</sup> Because

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See SR-NYSEArca-2016-169.

proposed Rule 7.35E would govern all auctions, including the Early Open Auction, Core Open Auction, Trading Halt Auction, IPO Auction, and Closing Auction, the Exchange proposes that the following rules, which govern auctions on the Exchange, would not be applicable to trading on the Pillar trading platform: Rule 15 – Equities (governing pre-opening indications and Opening Order Imbalance Information), Rule 115A – Equities (governing the opening process), Supplementary Material .40 to Rule 116 – Equities (governing pair off of MOC and LOC orders at the close),<sup>24</sup> Rule 123C – Equities (governing the closing process), and Rule 123D – Equities (governing the opening and trading halts).

- Proposed Rule 7.36E (Order Ranking and Display) would establish requirements for how orders would be ranked and displayed at the Exchange. The proposed rule is based on NYSE Arca Equities Rule 7.36 without any substantive differences.
- Proposed Rule 7.37E (Order Execution and Routing) would establish requirements for how orders would execute and route at the Exchange, the data feeds that the Exchange would use, and Exchange requirements under the Order Protection Rule and the prohibition on locking and crossing quotations in NMS Stocks. This proposed rule is based on NYSE Arca Equities Rule 7.37 with two substantive differences. First, because the Exchange would not be taking in data feeds from broker dealers or routing to Away Markets that are not displaying protected quotations, the Exchange proposes that proposed Rule 7.37E would not include rule text from paragraph (b)(3) of NYSE Arca Equities Rule 7.37, which specifies that an ETP Holder can opt out of routing to Away Markets that are not displayed a protected quotation, i.e., broker dealers, or paragraph (d)(1) of NYSE Arca Equities Rule 7.37, which specifies that NYSE Arca Equities receives data feeds directly from broker dealers. Second, initially, the Exchange proposes to use SIP data feeds as the primary source for NYSE Arca Equities.<sup>25</sup>

The subject matter of proposed Rule 7.36E and 7.37E address a cross-section of current rules. Accordingly, the Exchange

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<sup>24</sup> As described below, because the Exchange would not have Floor-based DMMs or trading, the remainder of Rule 116 – Equities would not be applicable to trading on the Pillar trading platform

<sup>25</sup> The Exchange anticipates that it will begin using Direct Feeds as the primary source for NYSE Arca Equities later in the second quarter of 2017 and will file a separate proposed rule change when it makes that change.

proposes that the following rules would not be applicable to trading on the Pillar trading platform: Rule 15A – Equities (Order Protection Rule), Rule 19 – Equities (Locking or Crossing Protected Quotations in NMS Stocks), Rule 60 – Equities (Dissemination of Quotations), Rule 61 – Equities (Recognized Quotations), Rule 72 – Equities (Priority of Bids and Offers and Allocation of Executions), Supplementary Material .15 to Rule 79A – Equities, Rule 1000(a) and (b) – Equities (Automatic Executions), Rule 1001 – Equities (Execution of Automatically Executing Orders), Rule 1002 – Equities (Availability of Automatic Execution Feature), and Rule 1004 - Equities (Election of Buy Minus and Sell Plus).

- Proposed Rule 7.38E (Odd and Mixed Lot) would establish requirements relating to odd lot and mixed lot trading on the Exchange. The proposed rule is based on NYSE Arca Equities Rule 7.38 without any substantive differences.
- Proposed Rule 7.40E (Trade Execution and Reporting) would establish the Exchange’s obligation to report trades to an appropriate consolidated transaction reporting system. The proposed rule is based on NYSE Arca Equities Rule 7.40 without any substantive differences. Because all reporting of transactions would be automated, the Exchange proposes that Rule 128A – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.41E (Clearance and Settlement) would establish requirements that all trades be processed for clearance and settlement on a locked-in and anonymous basis. Specifically, proposed Rules 7.41E(a), (b), (d), and (e) are based on NYSE Arca Equities Rule 7.41(a), (b), (d), and (e) with non-substantive differences not to include references to sponsored access, because the Exchange will not offer sponsored access. Proposed Rule 7.41E(c) is based on NYSE Rule 130(b), which reflects the circumstances when the Exchange may reveal the contra-party identity.<sup>26</sup> In addition, proposed Commentary .10 to Rule 7.41E is based on Supplementary Material .10 to Rule 132, defining the term “Qualified Clearing Agency.” The Exchange proposes to define this term for use in proposed Rule 7.41E(c). Because all trades would be reported by the Exchange on a locked-in basis, the Exchange proposes to specify that the following rules relating to

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See Securities Exchange Act Release No. 77930 (May 26, 2016), 81 FR 35410 (June 2, 2016) (SR-NYSE-2016-38) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change).

clearance and settlement would not be applicable to trading on the Pillar trading system: Rule 130 – Equities (Overnight Comparison of Exchange Transactions), Rule 132 – Equities (Comparison and Settlement of Transactions Through a Fully-Interfaced or Qualified Clearing Agency), Rule 133 – Equities (Comparison – Non-cleared Transactions), Rule 134 (Differences and Omissions – Cleared Transactions QTs), Rule 135 – Equities (Differences and Omissions – Non-cleared Transactions (‘DKs’)), and Rule 136 – Equities (Comparison – Transactions Excluded from a Clearance).

As noted above, the Exchange would not offer a Retail Liquidity Program when it trades on the Pillar trading platform. Accordingly, the Exchange would not propose rules based on NYSE Arca Equities Rule 7.44 and proposed Rules 7.36E, 7.37E, and 7.38E would not include cross references to Rule 7.44. The Exchange proposes that Rule 107C - Equities would not be applicable to trading on the Pillar trading platform.

Section 4 of Rule 7E would establish the Operation of a Routing Broker. Specifically, proposed Rule 7.45E (Operation of a Routing Broker) would establish the outbound and inbound function of the Exchange’s routing broker and the cancellation of orders and the Exchange’s error account. The proposed rule is based on NYSE Arca Equities Rule 7.45 without any substantive differences. The Exchange proposes that Rule 17 – Equities (Use of Exchange Facilities and Vendor Services) would not be applicable to trading on the Pillar trading platform.<sup>27</sup>

Section 5 of Rule 7E would establish requirements relating to the Plan to Implement a Tick Size Pilot Program. Proposed Rule 7.46E (Tick Size Pilot Plan) would specify such requirements. The proposed rule is based on NYSE Arca Equities Rule 7.46 with a proposed substantive difference not to include cross references to a Retail Liquidity Program in proposed Rules 7.46E(c), (d)(1), and (e)(1). The Exchange also proposes to designate proposed Rules 7.46E(f)(4) and (f)(5)(B) as “Reserved” because the Exchange would not support Retail Price Improvement Orders or routing to Away Markets that are not displaying protected quotations on Pillar. The remaining differences are all non-substantive, including using the term MKT Only Order rather than Arca Only Order. The Exchange proposes that Rule 67 – Equities (Tick Size Pilot Plan) would not be applicable to trading on the Pillar trading platform.

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The subject matter of Rule 17(a) – Equities would be addressed in proposed Rule 13.2E. On Pillar, the Exchange would not operate with vendors and therefore would not need a vendor liability rule, as described in Rule 17(b) – Equities. Current Rule 17(c) – Equities would not be applicable because it addresses the same subject matter as proposed Rule 7.45E.



Rule 12E

The Exchange proposes to amend Rule 12E to delete the term “Reserved,” re-name it “Arbitration,” and establish the Exchange’s arbitration procedures. The proposed rule text is based on current Rule 600 – Equities, with a non-substantive change to use the term “ETP Holder” instead of “member organization.” The Exchange proposes to move this rule text to Rule 12E so that it has the same rule number as the arbitration rules of NYSE Arca Equities. The Exchange further proposes that Rule 600 – Equities would not be applicable to trading on the Pillar trading platform.

Rule 13E

The Exchange proposes to amend Rule 13E to delete the term “Reserved” and re-name it “Liability of Directors and Exchange.”

- Proposed Rule 13.2E (Liability of the Exchange) would establish requirements governing liability of the Exchange, including the limits on liability for specified circumstances. This proposed rule is based on Rule 905NY, which governs liability of the Exchange for its options market, and NYSE Arca Equities Rule 13.2 without any substantive differences. Because this rule would govern liability of the Exchange, the Exchange proposes that Rule 18 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 13.3E (Legal Proceedings Against Directors, Officers, Employees, or Agents) would establish requirements relating to legal proceedings against directors, officers, employees, agents, or other officials of the Exchange. The proposed rule is based on NYSE Arca Equities Rule 13.3 without any substantive differences.
- Proposed Rule 13.4E (Exchange’s Costs of Defending Legal Proceedings) would establish the circumstances regarding who is responsible for the Exchange’s costs in defending a legal proceeding brought against the Exchange. The proposed rule is based on NYSE Arca Equities Rule 13.4 without any substantive differences and Rule 61, which governs the Exchange’s costs of defending legal proceedings for its options market. The Exchange proposes that Rule 25 – Equities (Exchange Liability for Legal Costs) would not be applicable to trading on the Pillar trading platform.

*Proposed Amendments to the Exchange's Off-Hours Trading Facility*

After the Exchange transitions to the Pillar trading platform, the Exchange proposes to maintain certain functionality in its Off-Hours Trading Facility, which is currently described in Rules 900 – Equities through 907 – Equities (the “Rule 900 Series”). Specifically, once trading begins on its Pillar trading platform, the Exchange proposes that the only function that would be available on its Off-Hours Trading Facility would be for ETP Holders to enter aggregate-price coupled orders.

The Exchange proposes that new Rule 7.39E would describe this Off-Hours Trading Facility functionality,<sup>28</sup> and that the entirety of the Rule 900 Series would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.39E(a) would provide that Rule 7.39E would apply to all Exchange contracts made on the Exchange through its “Off-Hours Trading Facility.” This proposed rule text is based on the first sentence of Rule 900(a) – Equities. The Exchange would not include rule text specified in the second sentence of Rule 900(a) – Equities and text from Rule 900(b) – Equities through Rule 900(d) – Equities because it would not apply to the Off-Hours Trading Facility once trading begins on the Pillar trading platform.
- Proposed Rule 7.39E(b) would establish the definitions for the Off-Hours Trading Facility. Proposed Rule 7.39E(b)(i) would define the term “Aggregate-Price Coupled Order” to mean an order to buy or sell a group of securities, which group includes no fewer than 15 Exchange-listed or traded securities having a total market value of \$1 million or more. This proposed definition is based on the definition of “aggregate-price order” in Rule 900(e)(i) – Equities with a non-substantive difference to use the term “Aggregate-Price Coupled Order” rather than “aggregate-price order.” Proposed Rule 7.39E(b)(ii) would define the term “Off-Hours Trading Facility,” to mean the Exchange facility that permits ETP Holders to effect securities transactions on the Exchange under proposed Rule 7.39E and is based on Rule 900(e)(v) – Equities with a non-substantive difference to use the term “ETP Holder” instead of “member or member organization.” Proposed Rule 7.39E(b)(ii) would also define the term “Off-Hours Trading” to mean trading through the Off-Hours Trading Facility. This text is based on the

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NYSE Arca Equities Rule 7.39 addresses the adjustment of open orders, e.g., orders with a good until canceled time-in-force instruction, due to corporate actions. Because the Exchange does not propose to have any open orders when trading on the Pillar trading platform, the Exchange will not adopt rule text based on NYSE Arca Equities Rule 7.39.

second sentence of Rule 900(e)(v) – Equities. Because the Exchange would only be trading Aggregate-Price Coupled Orders in the Off-Hours Trading Facility, the Exchange proposes that Rule 7.39E(b) would not include definitions for “closing price,” “closing-price order,” or “guaranteed price coupled order,” which are defined in Rule 900(e)(ii) – (iv) – Equities.

- Proposed Rule 7.39E(c) would establish that only such NMS Stocks, as the Exchange may specify, including Exchange-listed securities and UTP Securities, would be eligible to trade in the Off-Hours Trading Facility. This proposed rule text is based on Rule 901 – Equities with non-substantive differences to use Pillar terminology to describe which securities would be eligible to trade in the Off-Hours Trading Facility. The Exchange would not include rule text from Supplementary Material .10 of Rule 902, which provides that only the orders described in Rule 902 are eligible for Off-Hours Trading because it is redundant of proposed Rule 7.39E(c).
- Proposed Rule 7.39E(d) would establish the procedures for entering Aggregate-Price Coupled Orders into the Off-Hours Trading Facility. As proposed, an ETP Holder may only enter into the Off-Hours Trading Facility an Aggregate-Price Coupled Order to buy (sell) that is matched with an Aggregate-Price Coupled Order to sell (buy) the same quantities of the same securities, including in odd lot and mixed lot quantities. This proposed rule text is based on Rule 902(a)(iii) – Equities and Rule 902(g) – Equities with non-substantive differences to combine the two sections into a single section of rule text. The Exchange would not include rule text from Rule 902(a)(ii) because this specifies a Floor-based method to enter a coupled-order after the close and therefore would not be necessary on the Exchange’s proposed Pillar trading system.
- Proposed Rule 7.39E(d)(i) would provide that transactions effected through the Off-Hours Trading Facility pursuant to Aggregate-Price Coupled Orders may be for delivery at such time as the parties entering the orders may agree. This proposed rule text is based on the first sentence of Rule 902(c) – Equities. The Exchange would not include the second sentence of Rule 902(c) – Equities in proposed Rule 7.39E(d)(i) because all orders in the Off-Hours Trading Facility would be Aggregate-Price Coupled Orders and thus subject to proposed Rule 7.39E(d)(i).
- Proposed Rule 7.39E(d)(ii) would provide that ETP Holders would mark all sell orders as “long” as appropriate. This proposed rule

text is based on Rule 902(f) – Equities with a non-substantive difference to use the term “ETP Holder” instead of “members and member organizations.”

- Proposed Rule 7.39E(d)(iii) would provide that each side of an Aggregate-Price Coupled Order entered on a matched basis would be traded on entry against the other side without regard to the priority of other orders entered into the Off-Hours Trading Facility. This proposed rule text is based on Rule 903(b) – Equities and 903(d)(i) with non-substantive differences to combine those rules into a single sub-section, use Pillar terminology, and use the term “matched” instead of “coupled.”
- Proposed Rule 7.39E(d)(iv) would provide that a transaction described in this Rule would be an Exchange contract that is binding in all respects and without limit on the ETP Holder that enters any of the transaction's component orders and that the ETP Holder would be fully responsible for the Exchange contract. This proposed rule text is based on Rule 903(c) – Equities with non-substantive differences to use the term “ETP Holder” instead of “member or member organization.”
- Proposed Rule 7.39E(e) would provide that each ETP Holder would report to the Exchange such information, in such manner, and at such times, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, but not limited to, reports relating to Off-Hours Trading orders, proprietary or agency activity and activity in related instruments. This proposed rule text is based on Rule 905(a) – Equities with a non-substantive difference to use the term “ETP Holder” instead of “member or member organization.”
- Proposed Rule 7.39E(f) would provide that each ETP Holder would maintain and preserve such records, in such manner, and for such period of time, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, records relating to orders, cancellations, executions and trading volume, proprietary trading activity, activity in related instruments and securities and other records necessary to allow the ETP Holder to comply with the reporting provisions of proposed paragraph (e) of Rule 7.39E. This proposed rule text is based on rule 905(b) – Equities with non-substantive differences to use the term “ETP Holder” instead of “member or member organization,” and to eliminate the “but not limited to” text.
- Proposed Rule 7.39E(g) would provide that notwithstanding a

trading halt in any security (other than a trading halt pursuant to Rule 7.12E (Trading Halts Due to Extraordinary Market Volatility)) or a corporate development, ETP Holders may enter Aggregate-Price Coupled Orders into the Off-Hours Trading Facility under this Rule. This proposed rule text is based on Supplementary Material .10 to Rule 906 – Equities with non-substantive differences to cross-reference Rule 7.12E instead of Rule 80B and to use the term “ETP Holders” instead of “members and member organizations.”

In addition to the provisions of the Rule 900 Series noted above, the Exchange would not include rule text from Rule 903(d)(ii) – Equities and Rule 906(b) – Equities in proposed Rule 7.39E because these provisions relate to Floor-based use of the Off-Hours Trading Facility, which would not be available on the proposed Pillar trading platform. In addition, the Exchange proposes that Rule 7.39E would not include any provisions from Rule 907, which describes now-obsolete crossing session functionality.

*Current Rules that would not be Applicable to Pillar*

As described in more detail above, in connection with the proposed rules to support cash equities trading on the Pillar trading platform, the Exchange has identified current Exchange rules that would not be applicable because they would be superseded by a proposed rule. The Exchange has identified additional current rules that would not be applicable to trading on Pillar. These rules do not have a counterpart in the proposed Pillar rules, described above, but would be obsolete on the new, fully-automated trading platform.

The main category of rules that would not be applicable to trading on the Pillar trading platform are those that are specific to Floor-based trading, including requirements relating to DMMs and Floor brokers. For this reason, the Exchange proposes that the following Floor-specific rules would not be applicable to trading on the Pillar trading platform:

- Paragraphs (a), (i), and (j) of Rule 2 – Equities (“Member,” “Membership,” and “Member Firm,” etc.) (defining terms relating to Floor-based trading, i.e., member, DMM, and DMM unit).
- Rule 6 – Equities (Floor).
- Rule 6A – Equities (Trading Floor).
- Rule 35 – Equities (Floor Employees to be Registered).
- Rule 36 – Equities (Communications Between Exchange and Members’ Offices).

- Rule 46 – Equities (Floor Officials – Appointments).
- Rule 46A – Equities (Executive Floor Governors).
- Rule 47 – Equities (Floor Officials – Unusual Situations).
- Rule 52 – Equities (Dealings on the Exchange – Hours).
- Rule 53 – Equities (Dealings on Floor – Securities).
- Rule 54 – Equities (Dealings on Floor – Persons).
- Rule 70 – Equities (Execution of Floor broker interest).
- Rule 74 – Equities (Publicity of Bids and Offers).
- Rule 75 – Equities (Disputes as to Bids and Offers).
- Rule 76 – Equities (‘Crossing’ Orders).
- Rule 77 – Equities (Prohibited Dealings and Activities).
- Rule 79A – Equities (Miscellaneous Requirements on Stock Market Procedures).
- Rule 90 – Equities (Dealings by Members on the Exchange).
- Rule 91 – Equities (Taking or Supplying Securities Named in Order).
- Rule 95 – Equities (Discretionary Transactions).
- Rule 103A – Equities (Member Education)
- Rule 106A – Equities (Taking Book or Order of Another Member).
- Rule 108 – Equities (Limitation on Members’ Bids and Offers).
- Rule 112 – Equities (Orders Initiated ‘Off the Floor’).
- Rule 116 – Equities (‘Stop’ Constitutes Guarantee).
- Rule 117 – Equities (Orders of Members To Be in Writing).

- Rule 121 – Equities (Records of DMM Units).
- Rule 122 – Equities (Orders with More than One Broker).
- Rule 123 – Equities (Record of Orders).
- Rule 123A – Equities (Miscellaneous Requirements).
- Rule 123B – Equities (Exchange Automated Order Routing System).
- Rule 126 – Equities (Odd-Lot Dealers General).
- Rule 127 – Equities (Block Crossed Outside the Prevailing Exchange Quotation).
- Rule 128B – Equities (Publication of Changes, Corrections, Cancellations or Omissions and Verifications of Transactions).
- Rule 131 – Equities (Comparison – Requirements for Reporting Trades and Providing Facilities).
- Rule 301 – Equities (Qualifications for Membership).
- Rule 303 – Equities (Limitation on Access to Floor).
- Rule 304A – Equities (Member Examination Requirements).
- Rule 440I – Equities (Records of Compensation Arrangements – Floor Brokerage).
- Rule 1000(d) – (g) – Equities (Capital Commitment Schedule).

In addition, the Exchange proposes that the following rules would not be applicable to trading on the Pillar platform.

- Rule 11 – Equities (Effect of Definitions) because Rule 1.1E supersedes any description of definitions.
- Rule 23 – Equities (New York local time) because all references to times in the proposed Pillar trading platform rules refer to “Eastern Time.”
- Rule 24 – Equities (Change in Procedure to Conform to Changes Hours of Trading) because proposed Rule 7.1E would specify the

hours of the Exchange.

- Rule 80 – Equities (NYSE MKT Bonds) because the Exchange would not trade bonds on the Pillar trading platform.
- Rule 107B – Equities (Supplemental Liquidity Providers) because the Exchange would not support the Supplemental Liquidity Provider program on its proposed Pillar trading platform.
- Rule 119 – Equities (Change in Basis from “And Interest” to “Flat”) because the Exchange would not trade bonds on its proposed Pillar trading platform.
- Rule 131A – Equities (A Member Organization Shall Use Its Own Mnemonic When Entering Orders) because the Exchange would use MPIDs rather than mnemonics on its proposed Pillar trading platform.

*Proposed Deletion of Rules Designated “Reserved”*

To simplify the Exchange’s rules, the Exchange proposes to delete Equities rules that are currently designated “Reserved.”<sup>29</sup> The Exchange believes it would reduce confusion and promote transparency to delete references to rules that do not have any substantive content. The Exchange further believes that because it is transitioning to a new rule numbering framework, maintaining these rules on a reserved basis is no longer necessary.

Section 11(a) of the Act

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See Rules 16 – Equities; 20 – Equities; 21 – Equities (Disqualification of Directors on Listing of Securities); Rule 26 – Equities (Disqualification of Directors on Listing of Securities); Rule 29 – Equities – Rule 34 – Equities; Rule 38 – Equities – Rule 44 – Equities; Rule 45 – Equities (Equities); Rule 50 – Equities; Rule 57 – Equities – Rule 59 – Equities; Rule 60A – Equities; Rule 65 – Equities; Rule 69 – Equities; Rule 92 – Equities; Rule 106 – Equities; Rule 107 – Equities; Rule 109 – Equities – Rule 111 – Equities; Rule 115 – Equities; Rule 118 – Equities; Rule 123G – Equities; Rule 124 – Equities; Rule 132A – Equities; Rule 132B – Equities; Rule 132C – Equities; Rule 305 – Equities – 307 – Equities; Rule 309 – Equities; Rules 314 – Equities – 318 – Equities; Rule 319 – Equities; Rule 322 – Equities; Rules 323 – Equities – 324 – Equities; Rule 325 – Equities; Rule 326(a) – Equities; Rule 326(b) – Equities; Rule 326(c) – Equities; Rule 326(d) – Equities; Rule 327 – Equities; Rule 328 – Equities; Rule 329 – Equities; Rule 343 – Equities; Rule 440A – Equities; and Rule 1003 - Equities.



Section 11(a)(1) of the Act<sup>30</sup> ("Section 11(a)(1)") prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or an account over which it or its associated person exercises investment discretion (collectively, "covered accounts") unless an exception to the prohibition applies. Rule 11a2-2(T) under the Act ("Rule 11a2-2(T)"),<sup>31</sup> known as the "effect versus execute" rule, provides exchange members with an exemption from the Section 11(a)(1) prohibition. Rule 11a2-2(T) permits an exchange member, subject to certain conditions, to effect transactions for covered accounts by arranging for an unaffiliated member to execute the transactions on the exchange. To comply with Rule 11a2-2(T)'s conditions, a member: (i) must transmit the order from off the exchange floor; (ii) may not participate in the execution of the transaction once it has been transmitted to the member performing the execution (although the member may participate in clearing and settling the transaction); (iii) may not be affiliated with the executing member; and (iv) with respect to an account over which the member or its associated person has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the Rule.

With the proposed transition of the Exchange to a fully automated electronic trading model that does not have a trading floor, the Exchange believes that the policy concerns Congress sought to address in Section 11(a)(1), i.e., the time and place advantage that members on exchange trading floors have over non-members off the floor and the general public – would not be present. Specifically, on the Pillar trading system, buy and sell interest will be matching in a continuous, automated fashion. Liquidity will be derived from quotes as well as orders to buy and orders to sell submitted to the Exchange electronically by ETP Holders from remote locations. The Exchange further believes that ETP Holders entering orders into the Exchange's Pillar trading system will satisfy the requirements of Rule 11a2-2(T) under the Act, which provides an exception to Section 11(a)'s general prohibition on proprietary trading.

The four conditions imposed by the "effect versus execute" rule are designed to put members and non-members of an exchange on the same footing, to the extent practicable, in light of the purpose of Section 11(a). For the reasons set forth below, the Exchange believes the structure and characteristics of its proposed Pillar trading system do not result in disparate treatment of members and non-members and places them on the "same footing" as intended by Rule 11a2-2(T).

1. **Off-Floor Transmission.** Rule 11a2-2(T) requires orders for a covered account transaction to be transmitted from off the exchange floor. The Commission has considered this and other

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<sup>30</sup> 15 U.S.C. 78k(a)(1).

<sup>31</sup> 17 CFR 240.11a2-2(T).

requirements of the rule in the context of automated trading and electronic order handling facilities operated by various national securities exchanges in a 1979 Release<sup>32</sup> as well as more applications of Rule 11a2-2(T) in connection with the approval of the registrations of national securities exchanges.<sup>33</sup> In the context of these automated trading systems, the Commission has found that the off-floor transmission requirement is met if an order for a covered account is transmitted from a remote location directly to an exchange's floor by electronic means.<sup>34</sup> Because the Exchange would not have a physical trading floor once it transitions to the Pillar trading platform, and like other all electronic exchanges, the Exchange's Pillar trading system would receive orders from ETP Holders electronically through remote terminals or computer-to-computer interfaces, the Exchange therefore believes that its trading system satisfies the off-floor transmission requirement.

2. **Non-Participation in Order Execution.** The "effect versus execute" rule further provides that neither the exchange member nor an associated person of such member participate in the execution of its order. This requirement was originally intended to prevent members from using their own brokers on an exchange

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<sup>32</sup> See Securities Exchange Act Release No. 15533 (January 29, 1979) (regarding the Amex Post Execution Reporting System, the Amex Switching System, the Intermarket Trading System, the Multiple Dealer Trading Facility of the Cincinnati Stock Exchange, the PCX's Communications and Execution System ("COM EX"), and the Phlx's Automated Communications and Execution System ("PACE")) ("1979 Release").

<sup>33</sup> Securities Exchange Act Release Nos. 53128 (January 13, 2006) 71 FR 3550 (January 23, 2006) (File No. 10-13 1) (order approving Nasdaq Exchange registration); 58375 (August 18, 2008) 73 FR 49498 (August 21, 2008) (order approving BATS Exchange registration); 61152 (December 10, 2009) 74 FR 66699 (December 16, 2009) (order approving C2 exchange registration); and 78101 (June 17, 2016), 81 FR 41142, 41164 (June 23, 2016) (order approving Investors Exchange LLC registration).

<sup>34</sup> See, e.g., Securities Exchange Act Release Nos. 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (order approving the Boston Options Exchange as an options trading facility of the Boston Stock Exchange); 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (order approving Archipelago Exchange ("ArcaEx") as electronic trading facility of the Pacific Exchange ("PCX") ("Arca Ex Order")); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (regarding NYSE's Off-Hours Trading Facility); 15533 (January 29, 1979); and 14563 (March 14, 1978), 43 FR 11542 (March 17, 1978) (regarding the NYSE's Designated Order Turnaround System ("1978 Release")).

floor to influence or guide the execution of their orders.<sup>35</sup> The rule, however, does not preclude members from cancelling or modifying orders, or from modifying instructions for executing orders, after they have been transmitted, provided such cancellations or modifications are transmitted from off an exchange floor.<sup>36</sup> In the 1979 Release discussing both the Pacific Stock Exchange's COM EX system and the Philadelphia Stock Exchange's PACE system, the Commission noted that a member relinquishes any ability to influence or guide the execution of its order at the time the order is transmitted into the systems, and although the execution is automatic, the design of such systems ensures that members do not possess any special or unique trading advantages in handling orders after transmission to the systems.<sup>37</sup> The Exchange's Pillar trading system would at no time following the submission of an order allow an ETP Holder or an associated person of such member to acquire control or influence over the result or timing of an order's execution. The execution of an ETP Holder's order would be determined solely by what quotes and orders are present in the system at the time the member submits the order and the order priority based on Exchange rules. Therefore, the Exchange believes the non-participation requirement would be met through the submission and execution of orders in the Exchange's Pillar trading system.

3. **Execution Through an Unaffiliated Member.** Although Rule 11a2-2(T) contemplates having an order executed by an exchange member, unaffiliated with the member initiating the order, the Commission has recognized the requirement is satisfied where automated exchange facilities are used as long as the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange. In the 1979 Release, the Commission noted that while there is not an independent executing exchange member, the execution of an order is automatic once it has been transmitted into the systems. Because the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated that executions obtained through these systems satisfy the independent execution requirement of Rule 11a2-2(T). Because the design of the

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<sup>35</sup> Id. 1978 Release, supra note 34.

<sup>36</sup> Id.

<sup>37</sup> 1979 Release, supra, note 32.

Exchange's Pillar trading system ensures that no ETP Holder has any special or unique trading advantages over nonmembers in the handling of its orders after transmitting its orders to the Exchange, the Exchange believes that its Pillar trading system would satisfy this requirement.

4. **Non-Retention of Compensation for Discretionary Accounts.** Finally, Rule 11a2-2(T) states, in the case of a transaction effected for the account for which the initiating member or its associated person exercises investment discretion, in general, the member or its associated person may not retain compensation for effecting the transaction, unless the person authorized to transact business for the account has expressly provided otherwise by written contract referring to both Section 11(a) of the Exchange Act and Rule 11a2-2(T). The Exchange will advise its membership through the issuance of a Regulatory Bulletin that those ETP Holders trading for covered accounts over which they exercise investment discretion must comply with this condition in order to rely on the exemption in Rule 11a2-2(T) from the prohibition in Section 11(a) of the Exchange Act.

In conclusion, The Exchange believes that its Pillar trading system would satisfy the four requirements of Rule 11a2-2(T) as well as the general policy objectives of Section 11(a). The Exchange's proposed Pillar trading system would place all users, members and non-members, on the "same footing" with respect to transactions on the Exchange for covered accounts as intended by Rule 11a2-2(T). As such, no Exchange ETP Holder would be able to engage in proprietary trading in a manner inconsistent with Section 11(a).

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As discussed above, because of the technology changes associated with the migration to the Pillar trading platform, the Exchange will announce by Trader Update when rules with an "E" modifier will become operative.

(b) Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the "Act"),<sup>38</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>39</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating

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<sup>38</sup> 15 U.S.C. 78f(b).

<sup>39</sup> 15 U.S.C. 78f(b)(5).

transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rules to support Pillar on the Exchange would remove impediments to and perfect the mechanism of a free and open market because they provide for a complete set of rules to support the Exchange's transition to a fully automated cash equities trading model on the Pillar trading platform.

Generally, the Exchange believes that the proposed rules would support the Exchange's transition to a fully automated cash equities trading market with a price-time priority model because they are based on the rules of its affiliated market, NYSE Arca Equities. Because the goal of Pillar is to promote consistency among NYSE Arca, NYSE MKT, and NYSE, the Exchange believes that the proposed changes would simplify order entry and execution across the Exchange and its affiliates by having common rules for its members, subject to specified differences. The proposed rule change would therefore remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting commonality across affiliated exchanges.

More specifically, the Exchange believes that the proposed definitions for Rule 1.1E would remove impediments to and perfect the mechanism of a free and open market and a national market system because the proposed definitions are terms that would be used in the additional rules proposed by the Exchange. The Exchange also believes that proposed Rule 2E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would specify the requirements to obtain an ETP for trading on the Exchange's Pillar trading platform. In addition, the proposed rules governing employee registrations would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would ensure that employees of broker-dealers that are members of both NYSE Arca Equities and the Exchange would be subject to the same registration requirements. The proposed rule change would therefore also promote just and equitable principles of trade by requiring the same registration requirements for the same type of trading on affiliated exchanges.

The Exchange believes that proposed Rule 3E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would move existing rules to new rule numbering that aligns with the Framework Filing rule numbering. The proposed rule change would therefore promote consistency among the Exchange and its affiliates and make its rules easier to navigate for the public, the Commission, and members.

The Exchange believes that proposed Rule 6E is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because it would establish regulatory requirements for its ETP Holders. Proposed Rule 6.3E is designed to prevent fraudulent and manipulative acts and

practices because it addresses the potential misuse of material non-public information and is based on NYSE Arca Equities Rule 6.3. The remaining rules proposed for Rule 6E are based on existing Exchange rules and the Exchange believes it would make its rules easier to navigate to move the text of these rules to rule numbers consistent with the Framework Filing.

The Exchange believes that proposed Rule 7E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would establish rules that would govern trading on the Exchange, including post-trade requirements, that would establish the Exchange as a fully automated trading market with a price-time priority trading model. The proposed rules are based on the rules of NYSE Arca Equities, and include rules governing orders and modifiers, ranking and display, execution and routing, trading sessions, and auctions. The Exchange believes that the proposed substantive difference that its proposed Early Trading Session would begin at 7:00 a.m. Eastern Time, rather than 4:00 a.m. Eastern Time, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide transparency of the trading hours of the Exchange when it begins trading on the Pillar trading platform.

The Exchange believes that proposed Rule 7.39E, which would govern the Off-Hours Trading Facility on the Exchange, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would use Framework Filing rule numbering and Pillar terminology to describe the Off-Hours Trading Facility that would continue to be available once the Exchange transitions to Pillar. Proposed Rule 7.39E, which would offer ETP Holders the ability to enter Aggregate-Price Coupled Orders, is based on the Rule 900 Series.

The Exchange believes that proposed Rule 12E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would move an existing rule to new rule numbering that aligns with the Framework Filing rule numbering. The proposed rule change would therefore promote consistency among the Exchange and its affiliates and make its rules easier to navigate for the public, the Commission, and members.

The Exchange believes that proposed Rule 13E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would harmonize the Exchange's rules governing liability for its equity market with Exchange rules governing liability for its options markets, and the rules governing liability on NYSE Arca Equities. The proposed rule change would therefore promote consistency among the Exchange and its affiliates and make its rules easier to navigate for the public, the Commission, and members.

The Exchange further believes that it would remove impediments to and perfect

the mechanism of a free and open market and a national market system to specify which current rules would not be applicable to trading on the Pillar trading platform. The Exchange believes that the following legend, which would be added to existing rules, “This rule is not applicable to trading on the Pillar trading platform,” would promote transparency regarding which rules would govern trading on the Exchange once it transitions to Pillar. The Exchange has proposed to add this legend to rules that would be superseded by proposed rules or rules that would not be applicable because they concern Floor-based trading. The Exchange also believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to delete rule numbers that are currently “reserved” because it would reduce confusion and promote transparency to delete references to rules that do not have any substantive content. The Exchange further believes that because it is transitioning to a new rule numbering framework, maintaining these rules on a reserved basis is no longer necessary

Finally, for reasons described above, the Exchange believes that the proposal for the Exchange to operate on a fully automated trading market without a Floor is consistent with Section 11(a) of the Act and Rule 11a2-2(T) thereunder.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is designed to propose rules to support the Exchange’s new Pillar trading platform, which would be a fully automated cash equities trading market that trades all NMS Stocks and is based on the rules of NYSE Arca Equities. The Exchange operates in a highly competitive environment in which its unaffiliated exchange competitors operate multiple affiliated exchanges that operate under common rules. By moving the Exchange to a fully automated trading model that trades all NMS Stocks, the Exchange believes that it will be able to compete on a more level playing field with its exchange competitors that similarly trade all NMS Stocks on fully automated trading models. In addition, by basing its rules on those of NYSE Arca Equities, the Exchange will provide its members with consistency across affiliated exchanges, thereby enabling the Exchange to compete with unaffiliated exchange competitors that similarly operate multiple exchanges on the same trading platforms.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has neither solicited nor received written comments on the proposed rule change.

6. Extension of Time Period for Commission Action

The Exchange does not consent at this time to an extension of any time period for Commission action.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is based on NYSE Arca Equities Rules 1E, 2E, 3E, 6E, 7E, 12E, and 13E.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 – Form of Notice of Proposed Rule Change for Federal Register

Exhibit 5 – Text of Proposed Rule Change



## EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-NYSEMKT-2017-01)

[Date]

Self-Regulatory Organizations; NYSE MKT LLC; Notice of Filing of Proposed Rule Change of New Rules to Transition Trading on the Exchange to Pillar

Pursuant to Section 19(b)(1)<sup>1</sup> of the Securities Exchange Act of 1934 (the “Act”)<sup>2</sup> and Rule 19b-4 thereunder,<sup>3</sup> notice is hereby given that, on January 9, 2017, NYSE MKT LLC (the “Exchange” or “NYSE MKT”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes new rules to transition trading on the Exchange to Pillar, the Exchange’s new trading technology platform, and to operate as a fully-automated cash equities market. The proposed rule change is available on the Exchange’s website at [www.nyse.com](http://www.nyse.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included

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<sup>1</sup> 15 U.S.C.78s(b)(1).

<sup>2</sup> 15 U.S.C. 78a.

<sup>3</sup> 17 CFR 240.19b-4.

statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On January 29, 2015, the Exchange announced the implementation of Pillar, which is an integrated trading technology platform designed to use a single specification for connecting to the equities and options markets operated by the Exchange and its affiliates, NYSE Arca, Inc. ("NYSE Arca") and New York Stock Exchange LLC ("NYSE").<sup>4</sup> NYSE Arca Equities, Inc. ("NYSE Arca Equities"),<sup>5</sup> which operates the cash equities trading platform for NYSE Arca, was the first trading system to migrate to Pillar.<sup>6</sup>

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<sup>4</sup> See Trader Update dated January 29, 2015, available here: [http://www1.nyse.com/pdfs/Pillar\\_Trader\\_Update\\_Jan\\_2015.pdf](http://www1.nyse.com/pdfs/Pillar_Trader_Update_Jan_2015.pdf).

<sup>5</sup> NYSE Arca Equities is a wholly-owned corporation of NYSE Arca and operates as a facility of NYSE Arca.

<sup>6</sup> In connection with the NYSE Arca implementation of Pillar, NYSE Arca filed four rule proposals relating to Pillar. See Securities Exchange Act Release Nos. 74951 (May 13, 2015), 80 FR 28721 (May 19, 2015) (Notice) and 75494 (July 20, 2015), 80 FR 44170 (July 24, 2015) (SR-NYSEArca-2015-38) (Approval Order of NYSE Arca Pillar I Filing, adopting rules for Trading Sessions, Order Ranking and Display, and Order Execution); Securities Exchange Act Release Nos. 75497 (July 21, 2015), 80 FR 45022 (July 28, 2015) (Notice) and 76267 (October 26, 2015), 80 FR 66951 (October 30, 2015) (SR-NYSEArca-2015-56) (Approval Order of NYSE Arca Pillar II Filing, adopting rules for Orders and Modifiers and the Retail Liquidity Program); Securities Exchange Act Release Nos. 75467 (July 16, 2015), 80 FR 43515 (July 22, 2015) (Notice) and 76198 (October 20, 2015),

### Overview

With Pillar, the Exchange proposes to transition its cash equities trading platform from a Floor-based market with a parity allocation model to a fully automated price-time priority allocation model. As such, when the Exchange transitions to Pillar, the Exchange would no longer have a Floor-based point-of-sale trading model. As a consequence, the Exchange is proposing to replace its Floor-based Designated Market Makers (“DMM”) with electronic DMMs, and would no longer have Floor brokers or support Supplemental Liquidity Providers as a separate class of participant on the Exchange.<sup>7</sup>

The Exchange also proposes to expand the securities it trades to all NMS securities, including securities listed on NYSE, NYSE Arca, the Nasdaq Stock Market LLC (“Nasdaq”), and the Bats BZX Exchange, Inc. (“Bats”). Trading of securities on an unlisted trading privileges basis would be subject to the same trading rules as trading of securities listed on the Exchange, except for specified rules directed to the Exchange’s responsibility as a primary listing market, e.g., proposed Rules 7.11E and 7.16E, described in further detail below.

The Exchange will be filing several proposed rule changes to support the NYSE MKT cash equities implementation of Pillar. The Exchange has already adopted the rule numbering framework of the NYSE Arca Equities rules for Exchange cash equities

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80 FR 65274 (October 26, 2015) (SR-NYSEArca-2015-58) (Approval Order of NYSE Arca Pillar III Filing, adopting rules for Trading Halts, Short Sales, Limit Up-Limit Down, and Odd Lots and Mixed Lots); and Securities Exchange Act Release Nos. 76085 (October 6, 2015), 80 FR 61513 (October 13, 2015) (Notice) and 76869 (January 11, 2016), 81 FR 2276 (January 15, 2016) (Approval Order of NYSE Arca Pillar IV Filing, adopting rules for Auctions).

<sup>7</sup> See, e.g., Rule 107B – Equities.

trading on the Pillar trading platform.<sup>8</sup> As described in the Framework Filing, the Exchange is denoting the rules applicable to cash equities trading on Pillar with the letter “E” to distinguish such rules from current Exchange rules with the same numbering.<sup>9</sup> In addition, the Exchange has filed a proposed rule change to support Exchange trading of securities listed on NYSE, NYSE Arca, and other exchanges on an unlisted trading privileges basis, including Exchange Traded Products (“ETP”) listed on other exchanges.<sup>10</sup>

In this filing, the Exchange proposes trading rules that would govern Exchange cash equities trading on Pillar. All trading would be automated, including opening, re-opening, and closing auctions. As proposed, the Exchange’s Pillar cash equities trading platform would be based on the rules and trading model of NYSE Arca Equities, which is a fully-automated price-time priority allocation model with registered market makers.

As discussed in the Framework Filing, Rules 1E – 13E govern cash equities

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<sup>8</sup> See Securities Exchange Act Release No. 79242 (November 4, 2016), 81 FR 79081 (November 10, 2016) (SR-NYSEMKT-2016-97) (Notice and Filing of Immediate Effectiveness of Proposed Rule Change) (the “Framework Filing”).

<sup>9</sup> To distinguish Rule 1E – 13E from Exchange rules that govern options trading, the Exchange proposes a non-substantive change to amend the description of “Pillar Platform Rules” after Rule 0 – Equities to specify that these are “cash equities” rules.

<sup>10</sup> See Securities Exchange Act Release No. 79400 (November 25, 2016), 81 FR 86750 (December 1, 2016) (SR-NYSEMKT-2016-103) (Notice) (the “ETP Listing Rules Filing”). When trading on Pillar, the Exchange would not be relying on Rule 500 – Equities – Rule 525 – Equities for authority to trade securities on an unlisted trading privileges basis. Accordingly, the Exchange proposes to amend Rule 500 – Equities to provide that the Rules of that series (Rules 500 – Equities – Rule 525 – Equities) would not be applicable to trading on the Pillar trading platform. To use terms applicable to trading on Pillar, the Exchange also proposes to amend Rule 2A(b)(2) – Equities to replace the term “Nasdaq Security” with the term “UTP Security” and replace the rule reference from Rule 501 – Equities to Rule 1.1E(ii).

trading on the Pillar platform.<sup>11</sup> In particular, Rule 7E Equities Trading would establish the trading rules. Rule 7E Equities Trading would be based on NYSE Arca Equities Rule 7 Equities Trading.

In addition, to support the proposed fully-automated market, the Exchange is proposing rules based on NYSE Arca Equities Rules 1 Definitions, 2 Equity Trading Permits, 3 Organization and Administration, 6 Business Conduct, Rule 12 Arbitration, and Rule 13 Liability of Directors and Exchange.

The Exchange proposes the following differences to how it will function on Pillar as compared to NYSE Arca Equities:

- To be addressed in a separate filing, for securities listed on NYSE MKT, the Exchange would maintain DMMs. These electronic-access DMMs would be subject to rules-based heightened quoting obligations vis-à-vis their assigned securities. For all securities that would trade on the Exchange, including UTP securities, the Exchange would have electronic registered market makers with obligations similar to the obligations of market makers on NYSE Arca Equities.
- The Exchange would not offer a Retail Liquidity Program and related order types (Retail Orders and Retail Price Improvement Orders).
- The Exchange would offer three trading sessions, but the Early

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<sup>11</sup> Rules 1E – 13E are including in the “Equities Rules” portion of the Exchange’s rule book. Pursuant to Rule 0 – Equities, the Equities Rules govern all transactions conducted on the Equities Trading Systems.

Trading Session would begin at 7:00 a.m. Eastern Time instead of 4:00 a.m. Eastern Time.

- ETP Holders would communicate with the Pillar trading platform using Pillar phase II protocols only.

Subject to rule approvals, the Exchange will announce the transition of its cash equities trading to the Pillar trading system by Trader Update, which the Exchange anticipates will be in the second quarter of 2017.

Because the Exchange would not be trading on both its current Floor-based trading platform and the Pillar trading platform at the same time, once trading on the Pillar trading platform begins, specified current Exchange equities trading rules would no longer be applicable. Accordingly, as described in more detail below, for each current equities rule that would no longer be applicable when trading on the Pillar trading platform begins, the Exchange proposes to state in a preamble to such rule that “this rule is not applicable to trading on the Pillar trading platform.”<sup>12</sup> Once the Exchange has transitioned to the Pillar trading platform, the Exchange will file a separate proposed rule change to delete those current rules that have been identified in this filing as not being applicable to trading on Pillar. Current Exchange rules governing equities trading that do not have this preamble will continue to govern Exchange operations on its cash

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<sup>12</sup> The Exchange proposes to amend the description of Cash Equities Pillar Platform Rules, which precedes Rule 1E, to delete the last sentence, which currently provides that “[t]he following rules will not be applicable to trading on the Pillar trading platform: Rules 7 - Equities, 55 - Equities, 56 - Equities, 62 – Equities, and 80B - Equities.” As proposed, the inapplicability of these rules on the Pillar platform would be addressed in the preamble that the Exchange proposes to add to each of these rules. The Exchange further proposes to retain Rule 56 – Equities when the Exchange migrates to Pillar, as it addresses the unit of trading for rights, which are listed on the Exchange.

equities trading platform.

### Proposed Rule Changes

As noted above, the Exchange proposes rules that would be applicable to cash equities trading on Pillar that are based on NYSE Arca Equities Rules. As a global matter, the Exchange proposes non-substantive differences as compared to the NYSE Arca Equities rules to use the term “Exchange” instead of the terms “NYSE Arca Marketplace,” “NYSE Arca,” or “Corporation,” and to use the terms “mean” or “have the meaning” instead of the terms “shall mean” or “shall have the meaning.”<sup>13</sup>

### Rule 1E

As described in the Framework Filing, Rule 1E specifies definitions that are applicable to trading on the Pillar trading platform. The Exchange proposes the following additional definitions:

- Proposed Rule 1.1E(a) would define the term “Exchange Book” as the Exchange’s electronic file of orders. This proposed rule is based on NYSE Arca Equities Rule 1.1(a), which defines the term “NYSE Arca Book,” with a non-substantive difference to not include the following phrase in the Exchange’s proposed rule: “which contains all orders entered on the NYSE Arca Marketplace.” The Exchange believes that this clause is redundant of the description of the Exchange Book.
- Proposed Rule 1.1E(g) would define the term “Authorized Trader”

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<sup>13</sup> Because these non-substantive differences would be applied throughout the proposed rules, the Exchange will not note these differences separately for each proposed rule.

or “AT” to mean a person who may submit orders to the Exchange’s cash equities Trading Facilities on behalf of his or her ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 1.1(g) with non-substantive differences to reflect that the Exchange will not have sponsored participants.

- Proposed Rule 1.1E(j) would define the term “Core Trading Hours” to mean the hours of 9:30 a.m. Eastern Time through 4:00 p.m. Eastern Time or such other hours as may be determined from the Exchange from time to time. This proposed rule is based on NYSE Arca Equities rule 1.1(j).
- Proposed Rule 1.1E(k) would define the term “Exchange” to mean NYSE MKT. Because the term “Exchange” would be defined in proposed Rule 1.1E(k), the Exchange proposes that Rule 1 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 1.1E(m) would define the term “ETP” to mean an Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange’s cash equity Pillar trading platform pursuant to Rules 1E – 13E. The proposed rule would further provide that an ETP may be issued to a sole proprietor, partnership, corporation, limited liability company or other organization that is a registered broker or dealer pursuant to Section 15 of the Securities Exchange Act of 1934, as amended,



and which has been approved by the Exchange as a member organization. This proposed rule text is based on NYSE Arca Equities Rule 1.1(m) with non-substantive differences to specify that an ETP is the permit for effecting approved securities transaction on the Exchange's cash equity Pillar trading platform pursuant to Rules 1E – 13E. As described in greater detail below, the Exchange proposes to use ETPs to permission its member organizations to trade on its Pillar cash equities trading platform.

- Proposed Rule 1.1E(n) would define the term “ETP Holder” to mean a member organization that has been issued an ETP. The proposed rule would further provide that an ETP Holder would agree to be bound by the Rules of the Exchange, and by all applicable rules and regulations of the Securities and Exchange Commission. This proposed rule is based on NYSE Arca Equities Rule 1.1(n), with a proposed difference to reference the term “member organization,” which is defined in Rule 2(b) – Equities.
- Proposed Rule 1.1E(p) would define the term “General Authorized Trader” or “GAT” to mean an AT who performs only non-market making activities on behalf of an ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 1.1(p) without any substantive differences.
- Proposed Rule 1.1E(u) would define the term “Marketable” to mean, for a Limit Order, an order than can be immediately

executed or routed. The proposed rule would further provide that Market Orders are always considered Marketable. This proposed rule text is based on NYSE Arca Equities Rule 1.1(u).

- Proposed Rule 1.1E(gg) would define the term “Official Closing Price” as the reference price to determine the closing price in a securities for purposes of Rule 7E Equities Trading. Proposed Rules 1.1(gg)(1) – (5) would specify how the Exchange would determine an Official Closing Price in all circumstances, including when the Exchange is unable to conduct a Closing Auction in one or more Exchange-listed securities due to a systems or technical issue, and is based on NYSE Arca Equities Rule 1.1(gg) without any substantive differences. Proposed Rule 1.1E(gg), together with proposed Rule 7.35E described in greater detail below, would obviate current Rule 123C – Equities (The Closing Procedures).<sup>14</sup> Accordingly, the Exchange proposes to specify that Rule 123C – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 1.1E(rr) would define the term “security” and “securities” to mean any security as defined in in Rule 3(a)(10) under the Securities Exchange Act of 1934; provided, however, that for purposes of Rule 7E such terms mean any NMS stock.

This proposed rule is based on NYSE Arca Equities Rule 1.1(ss)

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<sup>14</sup> Rule 123C(1)(e) - Equities sets forth how the Exchange currently determines the Official Closing Price of a security listed on the Exchange.

without any substantive differences. Because the term “security” would be defined in proposed Rule 1.1E(rr), the Exchange proposes to specify that Rules 3 – Equities and 4 – Equities, which define the terms “Security” and “Stock” would not be applicable to trading on the Pillar trading platform. In addition, because the Exchange would not be trading bonds on its Pillar cash equities trading platform, the Exchange proposes to specify that Rule 5 – Equities would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 1.1E(ss) would define the term “Self-Regulatory Organization (‘SRO’)” as having the same meaning as set forth in the provisions of the Securities Exchange Act of 1934 relating to national securities exchanges. This proposed rule text is based on NYSE Arca Equities Rule 1.1(ss) without any substantive differences.
- Proposed Rule 1.1E(xx) would define the term “Trading Facilities” or “Facilities” to mean any and all electronic or automated trading systems provided by the Exchange to ETP Holders. This proposed rule text is based on NYSE Arca Equities Rule 1.1(xx) without any substantive differences.
- The Exchange proposes to amend Rule 1.1E(hhh) to add the letter “E” to the reference to Rule 7 in this rule.

Rule 2E

The Exchange proposes to amend Rule 2E to delete the term “Reserved” and re-name this rule as “Equity Trading Permits.” The Exchange proposes rules to support Equity Trading Permits (“ETP”) on the Exchange for trading on the Pillar trading platform that are based on NYSE Arca Equities Rule 2.

Currently, Rule 300 – Equities governs trading licenses on the Exchange. Under that rule, a trading license issued by the Exchange is required to effect transactions on the floor of the Exchange or through any facility thereof and an organization may acquire and hold a trading license only if and for so long as such organization is qualified and approved to be a member organization of the Exchange. The Exchange’s current trading license rule is identical to NYSE Rule 300 and a single trading license provides an Exchange member organization with the ability to trade on both the Exchange and NYSE.

To trade on Pillar, the Exchange proposes that a member organization would need an ETP.<sup>15</sup> Accordingly, a trading license issued under Rule 300 - Equities would not permit a member organization to trade on the Exchange’s Pillar cash equities trading platform. Instead, as proposed, a member organization would be eligible to obtain an ETP to trade on the Exchange’s cash equities Pillar trading platform. As noted above, member organizations that have been issued an ETP would be referred to in Exchange rules as “ETP Holders.”<sup>16</sup>

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<sup>15</sup> The Exchange will file a separate proposed rule change to specify fees for cash equities trading on NYSE MKT when it transitions to Pillar.

<sup>16</sup> At this time, the Exchange is not proposing rules, comparable to those in NYSE Arca Equities Rule 2, that specify the requirements to be approved as a member of the Exchange. Accordingly, the Exchange proposes that the rule numbers

In addition, because the Exchange would operate as a fully-automated market, the Exchange proposes rules that mirror those of NYSE Arca Equities with respect to requirements relating to employees of ETP Holders. Accordingly, ETP Holders accessing the Exchange on its Pillar cash equities trading platform would have the same employee registration requirements as NYSE Arca Equities.

- Proposed Rule 2.2E (Qualification of Applicants) would provide that an ETP may be held by an entity that is approved as a member organization. This proposed rule is based in part on the first sentence of NYSE Arca Equities Rule 2.2, which provides that an ETP on NYSE Arca Equities may be held by an entity that is a registered broker or dealer pursuant to Section 15 of the Act, as amended, including sole proprietors, partnerships, limited liability partnerships, corporations, and limited liability companies. The Exchange would not include in its Rule 2.2E the text in NYSE Arca Equities Rule 2.2 relating to registered broker dealers because it is duplicative of Rule 2(b)(i), which defines the term member organization on the Exchange.
- Proposed Rule 2.4E (Denial or Conditions to ETPs) would govern the denial or conditions to ETPs and is based on NYSE Arca Equities Rule 2.4 without any substantive differences. Paragraphs (a) and (b) of proposed Rule 2.4E would specify the circumstances

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under Rule 2E that would support membership requirements would be designated as “Reserved.” Instead, the Exchange’s current rules governing the definition of a member organization and the requirements to be approved as a member organization would continue to apply.

when the Exchange could deny or condition trading privileges on the Exchange, and these circumstances are identical to those specified in NYSE Arca Equities Rule 2.4(a) and (b).

The proposed rule would separately specify the Series 7 Examination requirement for traders of ETP Holders for which the Exchange is the Designated Examining Authority. These proposed requirements are identical to the Series 7 Examination requirements for ETP Holders on NYSE Arca Equities. The Exchange proposes a non-substantive difference to paragraphs (c) and (f) of proposed Rule 2.4E to cross-reference Rule 9522 instead of NYSE Arca Equities Rule 10.

- Proposed Rule 2.6E (Revocable Privilege) would specify that the issuance of an ETP would constitute only a revocable privilege and confers on its holder no right or interest of any nature to continue as an ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 2.6 without any differences. The Exchange also proposes to add a sub-header to Exchange rules immediately preceding Rule 2.6E that would provide “Requirements of Holding an ETP.” This proposed text is based on the sub-header before NYSE Arca Equities Rule 2.6 that provides “Requirements of Holding an ETP Requirements Applicable Generally.” The Exchange proposes an abbreviated form of the sub-header to eliminate unnecessary text.

Because proposed Rule 2.6E, together with proposed Rule 2.4E, would establish the requirements for a member organization to obtain an ETP, the Exchange proposes that Rule 300 – Equities would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 2.17E (Activity Assessment Fees) would specify the Activity Assessment Fees applicable for securities transactions effected on the Exchange as required by Section 31 of the Act. This proposed rule is based on NYSE Arca Equities Rule 2.17. The Exchange does not propose to adopt rule text based on Commentary .01 to NYSE Arca Equities Rule 2.17 because it related to a temporary program that automatically sunsetted on December 31, 2009.

Because proposed Rule 2.17E would establish Activity Assessment Fees, the Exchange proposes that Rule 440H – Equities, which similarly governs Activity Assessment Fees, would not apply to trading on the Pillar trading platform.

- Proposed Rule 2.21E (Employees of ETP Holders Registration) would specify the registration requirements for employees of ETP Holders. This proposed rule is based on NYSE Arca Equities Rule 2.21 without any substantive differences. Accordingly, this rule would specify employee registration requirements for trading on the Exchange, including examination requirements, continuing education requirements, and procedures to register employees.

Because proposed Rule 2.21E, together with proposed Rule 2.4E, would specify employee registration requirements applicable to trading on the Exchange on its cash equities Pillar trading platform, the Exchange proposes to specify that the following rules, which govern current trading employee registration requirements, would not be applicable to trading on the Pillar trading platform: Rule 345 – Equities (Employees – Registration, Approval, Records) and Rule 345A – Equities (Continuing Education for Registered Persons). The Exchange also proposes that the requirement for a member organization that a member organization that conducts a DMM business has a Series 14A requirement, as set forth in Rule 342 – Equities, would not be applicable to trading on the Pillar trading platform. However, the Exchange would retain the non-Floor-based Compliance Supervisor requirements of Rule 342 – Equities.

- Proposed Rule 2.22E would specify the Exchange Back-Up Systems and Mandatory Testing Requirements of the Exchange and is based on Rule 49(b) – Equities without any substantive changes. The Exchange proposes to move this rule text to Rule 2.22E so that it has the same rule number as the rules of NYSE Arca Equities. Because member organizations trading on the Exchange’s cash equities Pillar trading platform would be designated as “ETP Holders” in Exchange rules, the Exchange



proposes to use the term “ETP Holder” instead of “member organization” in proposed Rule 2.22E.

The Exchange proposes to designate the entirety of Rule 49 – Equities (Exchange Business Continuity and Disaster Recovery Plans and Mandatory Testing) as not applicable to trading on the Pillar trading platform. Because the Exchange would trade in its secondary data center under the same rules as would be applicable to trading on its primary data center, the procedures specified in Rule 49(a) – Equities would no longer be applicable.

- Proposed Rule 2.24E (ETP Books and Records) would establish an ETP Holder’s books and records requirements and is based on NYSE Arca Equities Rule 2.24 without any substantive differences. Because proposed Rule 2.24E would establish the same requirements as set forth in current Rule 440 – Equities (Books and Records), the Exchange proposes that Rule 440 – Equities would not be applicable to trading on the Pillar trading platform.

### Rule 3E

The Exchange proposes to amend Rule 3E to delete the term “Reserved” and rename it “Organization and Administration.” Proposed Part I of Rule 3E would be designated as “Reserved.” Proposed Part II of Rule 3E would be designated “Regulation” and proposed Part III of Rule 3E would be designated “Dues, Fees, and Fines.” Except as described below, the rules under Rule 3E would be designated as

“Reserved” because the subject matter of the NYSE Arca Equities Rules with corresponding numbers are the subject of existing Exchange rules that would continue to apply.<sup>17</sup>

- Proposed Rule 3.6E (Surveillance Agreements) would specify that the Exchange may enter into agreements with domestic and foreign self-regulatory organizations providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes. This proposed rule is based on NYSE Arca Equities 3.6 with no substantive differences. Because this rule covers the same subject matter as Rule 27 – Equities, the Exchange proposes that that Rule 27 - Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 3.11E (Fingerprint-Based Background Checks of Exchange Employees and Others) would establish the Exchange’s requirements for fingerprint-based background checks of Exchange employees and others. The proposed rule is based on NYSE Arca

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<sup>17</sup> NYSE Arca Equities Rule 3 Part I relates to board committees, which are described in the Exchange’s Operating Agreement, which is available here: [https://www.theice.com/publicdocs/nyse/regulation/nyse-mkt/Tenth\\_Amended\\_and\\_Restated\\_Operating\\_Agreement\\_of\\_NYSE\\_MKT\\_LL\\_C.pdf](https://www.theice.com/publicdocs/nyse/regulation/nyse-mkt/Tenth_Amended_and_Restated_Operating_Agreement_of_NYSE_MKT_LL_C.pdf). NYSE Arca Equities Rules 3.4 and 3.5 relate to the self-regulatory responsibilities of NYSE Arca for the administration and enforcement of rules governing the operation of NYSE Arca Equities, its wholly owned subsidiary, and the delegation of authority from NYSE Arca to NYSE Arca Equities. Because the Exchange is itself a self-regulatory organization, these rules are inapplicable. The subject matter of NYSE Arca Equities Rule 3 Part III is addressed in the Exchange’s Disciplinary Rules and Rule 2B – Equities.

Equities Rule 3.11 and Rule 28 – Equities, which are identical rules. The Exchange proposes to move the rule text from Rule 28 - Equities to Rule 3.11E so that it has the same rule number as the same subject matter in the rules of NYSE Arca Equities. The Exchange further proposes that Rule 28 – Equities would not be applicable to trading on the Pillar trading platform.

Rule 6E

The Exchange proposes to amend Rule 6E to delete the term “Reserved” and re-name it “Business Conduct.” The Exchange proposes rules governing specified business conduct. Except as described below, the rules under Rule 6E would be designated as “Reserved.”

- Proposed Rule 6.3E (Prevention of the Misuse of Material, Nonpublic Information) would establish the Exchange’s requirement that every ETP Holder establish, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by such ETP Holder or persons associated with such ETP Holder. This proposed rule is based on NYSE Arca Equities Rule 6.3 without any substantive differences. The Exchange proposes a non-substantive difference to refer to the Exchange’s “regulatory staff” instead of “Surveillance Department.”
- Proposed Rule 6.10E (ETP Holders Holding Options) would specify an ETP Holder’s obligations with respect to trading on the

Exchange when holding any options that are not issued by the Options Clearing Corporation. This proposed rule is based on NYSE Arca Equities Rule 6.10 without any substantive differences. Current Rule 96 - Equities (Limitations on Members' Trading Because of Options) sets forth a requirement similar to proposed Rule 6.10E, but that rule is only applicable to a member's trading while on the Floor for his own account or for any account in which he, his member organization, or any member, principal executive, or approved person of such organization is directly or indirectly interest. As proposed, Rule 6.10E would set forth these requirements and they would be applicable to all ETP Holders. In addition, the Exchange proposes that Rule 96 – Equities (Limitation on Members' Trading Because of Options) would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 6.12E (Joint Accounts) would describe requirements relating to joint accounts. The proposed rule is based on NYSE Arca Equities Rule 6.12 without any substantive differences. The Exchange proposes a non-substantive difference in that the proposed rule would not include the phrase “Application of the System” because such terms are not defined on the Exchange. The Exchange proposes that Rules 93 – Equities (Trading for Joint Account) and 94 – Equities (Designated Market Marker's or Odd-Lot Dealers Interest in Joint Accounts) would not

be applicable to trading on the Pillar trading platform.

- Proposed Rule 6.15E (Prearranged Trades) would prohibit prearranged trades and is based on NYSE Arca Equities Rule 6.15(b) without any substantive differences. The Exchange proposes that Rule 78 – Equities, which similarly prohibits prearranged trades, would not be applicable to trading on the Pillar trading platform. The Exchange would not be adding rule text based on NYSE Arca Equities Rule 6.15(a), relating to prohibitions on engaging in manipulative practices or operations, because Rule 6140 – Equities already establishes these requirements.

#### Rule 7E Equities Trading

The Exchange proposes additional rules under Rule 7E Equities Trading.

As previously established in the Framework Filing, Section 1 of Rule 7E specifies the General Provisions relating to cash equities trading on the Pillar trading platform.

The Exchange proposes the following additional rules:

- Proposed Rule 7.1E (Hours of Business) would specify that the Exchange would be open for the transaction of business on every business day. The proposed rule also sets forth when the CEO may take specified actions, such as halting or suspending trading in some or all securities on the Exchange. The proposed rule is based on NYSE Arca Equities Rule 7.1 and Rule 51 – Equities. The Exchange proposes that Rule 51 – Equities would not be applicable

to trading on the Pillar trading platform. In addition, because the definition of the term “business day” in Rule 12 – Equities would be redundant of proposed Rule 7.1E, the Exchange proposes that Rule 12 – Equities would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.2E (Holidays) would establish the holidays when the Exchange would not be open for business. The proposed rule is based on NYSE Arca Equities Rule 7.2 and Supplementary Material .10 to Rule 51 – Equities, including text that provides that when any holiday observed by the Exchange falls on a Sunday, the Exchange would not be open for business on the succeeding Monday, which is in Rule 51 – Equities.
- Proposed Rule 7.3E (Commissions) would establish that ETP Holders may not charge fixed commissions and must indicate whether acting as a broker or as principal. The proposed rule is based on NYSE Arca Equities Rule 7.3 without any substantive differences. Because Rule 388 – Equities (Prohibition Against Fixed Rates of Commission) also prohibits fixed commissions, the Exchange proposes that Rule 388 - Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.4E (Ex-Dividend or Ex-Right Dates) would establish the ex-dividend and ex-rights dates for stocks traded regular way. The proposed rule is based on NYSE Arca Equities

Rule 7.4 without any substantive differences. The Exchange proposes that Rule 235 – Equities would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.7E (Transmission of Bids or Offers) would establish that all bids and offers on the Exchange would be anonymous unless otherwise specified by the ETP Holder. The proposed rule is based on NYSE Arca Equities Rule 7.7 without any substantive differences.
- Proposed Rule 7.8E (Bid or Offer Deemed Regular Way) would establish that all bids and offers would be considered to be “regular way.” This proposed rule text is based on NYSE Arca Equities Rule 7.8E. As proposed, the Exchange would not accept orders that, if executed, would not settle regular way. Accordingly, the Exchange proposes that Rules 12 – Equities, 14 – Equities, 73 – Equities, which each specify rules for orders that are not entered “regular way,” would not be applicable to trading on the Pillar trading platform. Currently, the Exchange accepts bids and offers that are not made regular way only from Floor brokers.
- Proposed Rule 7.9E (Execution Price Binding) would establish that, notwithstanding Exchange rules governing clearly erroneous executions, the price at which an order is executed is binding notwithstanding that an erroneous report is rendered. This proposed rule text is based on NYSE Arca Equities Rule 7.9

without any substantive differences. The Exchange proposes that Rules 71 – Equities (Precedence of Highest Bid and Lowest Offer) and 411 - Equities (Erroneous Reports) would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.10E (Clearly Erroneous Executions) would set forth the Exchange’s rules governing clearly erroneous executions. The proposed rule is based on NYSE Arca Equities Rule 7.10 without any substantive differences. The Exchange proposes rule text based on NYSE Arca Equities rather than current Rule 128 – Equities (Clearly Erroneous Executions) because the NYSE Arca Equities version of the rule uses the same terminology that the Exchange is proposing for the Pillar trading platform, e.g., references to Early, Core, and Late Trading Sessions. Accordingly, the Exchange proposes that Rule 128 – Equities (Clearly Erroneous Executions) would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.11E (Limit Up – Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility) would specify how the Exchange would comply with the Regulation NMS Plan to Address Extraordinary Market Volatility (“LULD Plan”).<sup>18</sup> Because ETP Holders would

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<sup>18</sup> See Securities Exchange Act Release No. 77679 (April 21, 2016), 81 FR 24908 (April 27, 2016) (File No. 4-631) (Order approving 10<sup>th</sup> Amendment to the LULD Plan).



communicate with the Exchange's proposed Pillar trading platform using Pillar phase II protocols only, the proposed rule is based on NYSE Arca Equities Rule 7.11(a) rule text governing Pillar phase II protocols without any substantive differences.<sup>19</sup> In addition, the Exchange proposes that it would include rule text based on current NYSE Arca Equities Rule 7.11(b)(2) and (b)(5) only as the remaining provisions of NYSE Arca Equities Rule 7.11(b) are obsolete now that the LULD Plan has been fully implemented. The Exchange proposes that Rule 80C – Equities would not be applicable to trading on the Pillar trading platform.

- The Exchange proposes to amend paragraph (c)(i) of Rule 7.12E to change the rule cross reference from Rule 123D – Equities to Rule 7.35E(e). As described in greater detail below, the Exchange proposes Rule 7.35E to govern its auctions, including auctions following a trading halt. Accordingly, the procedures for reopening a security specified in Rule 123D – Equities would not be applicable on the Pillar trading platform.
- Proposed Rule 7.13E (Trading Suspensions) would establish authority for the Chair or the CEO of the Exchange to suspend trading in any and all securities that trade on the Exchange if such suspension would be in the public interest. This proposed rule is based on NYSE Arca Equities Rule 7.13 with non-substantive

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<sup>19</sup> See SR-NYSEArca-2016-170.

differences to use the term “CEO” instead of “President” and to omit a cross reference to a rule that is not applicable on the Exchange.

- Proposed Rule 7.14E (Clearance and Settlement) would establish the requirements regarding an ETP Holder’s arrangements for clearing. Because all post-trade functions on the Exchange’s Pillar trading platform would follow the NYSE Arca Equities procedures for post-trade processing, the Exchange proposes rules that are based on NYSE Arca Equities rules governing clearing. Accordingly, the proposed rule is based on NYSE Arca Equities Rule 7.14 without any substantive differences. The Exchange proposes that its current rules governing clearing, Rules 130 – Equities and 132 – Equities, would not be applicable to trading on the Pillar trading platform.<sup>20</sup>
- Proposed Rule 7.15E (Stock Option Transactions) would establish requirements for Market Makers relating to pool dealing and having an interest in an option that is not issued by the Options Clearing Corporation. The proposed rule is based on NYSE Arca Equities Rule 7.15 without any substantive differences. Because the proposed rule covers the same subject matter as Rule 105 – Equities, the Exchange proposes that this rule would not be applicable to trading on the Pillar trading platform.

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<sup>20</sup> See also *infra* proposed Rules 7.33E (Capacity Codes) and 7.41E (Clearance and Settlement).

- Proposed Rule 7.16E (Short Sales) would establish requirements relating to short sales. The proposed rule is based on NYSE Arca Equities Rule 7.16 without any substantive differences. Because the proposed rule covers the same subject matter as Rule 440B – Equities (Short Sales), the Exchange proposes that Rule 440B – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.17E (Firm Orders and Quotes) would establish requirements that all orders and quotes must be firm. This proposed rule is based on NYSE Arca Equities Rule 7.17 without any substantive differences. Because on the Pillar trading platform, the Exchange would only publish automated quotations consistent with proposed Rule 7.17E, the Exchange proposes that Rule 60 – Equities (Dissemination of Quotations) would not be applicable to trading on the Pillar trading platform.<sup>21</sup>

As noted above, the Exchange will file a separate proposed rule change to establish rules relating to Market Makers, which will be in Section 2 of Rule 7E. The Exchange has proposed Rule 7.18E in the ETP Listing Rules Filing.<sup>22</sup>

Section 3 of Rule 7E sets forth Exchange trading rules for the Pillar trading platform. As noted above, the Exchange proposes certain substantive differences to how

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<sup>21</sup> See also infra proposed Rule 7.36E regarding the display of orders on the Pillar trading platform.

<sup>22</sup> See supra note 10. The Exchange will file an amendment to the ETP Listing Rules Filing to add rule text for proposed paragraphs (b) and (c) of Rule 7.18E that would be based on NYSE Arca Equities Rule 7.18(b) and (c).

the Exchange would operate on the Pillar trading platform compared to how NYSE Arca Equities operates. These substantive differences would be reflected in the proposed rules governing Orders and Modifiers and Trading Sessions.

Proposed Rule 7.31E (Orders and Modifiers) would specify the orders and modifiers that would be available on the Exchange on the Pillar trading platform. The Exchange proposes to offer the same types of orders and modifiers that are available on NYSE Arca Equities, with specified substantive differences.

Proposed Rule 7.31E is based on NYSE Arca Equities Rule 7.31 with the following differences. With respect to Self-Trade Prevention (“STP”) Modifiers, because the Exchange would be operating on Pillar phase II protocols only, STPs would be based on the MPID of an ETP Holder and not on an ETP ID. Accordingly, proposed Rule 7.31E(i)(2) would not include references from NYSE Arca Equities Rule 7.31(i)(2) relating to ETPIDs. In addition, Arca Only Orders, which are described in NYSE Arca Equities Rule 7.31(e)(1), would be named “MKT Only Orders” on the Exchange, as described in proposed Rule 7.31E(e)(1). The Exchange does not propose any substantive differences to how MKT Only Orders would function as compared to Arca Only Orders on NYSE Arca Equities. Next, the Exchange proposes that for Primary Only Day/IOC Orders, an ETP Holder may specify that an order in NYSE Arca-listed securities may include an instruction to be routed to NYSE Arca as a routable order, as set forth in proposed Rule 7.31E(f)(1)(B). Finally, because when operating on the Pillar phase II protocols, the Exchange would not accept order types with conflicting order instructions, the Exchange proposes not to include in proposed Rule 7.31E text based on Commentary .02 to NYSE Arca Equities Rule 7.31.

Because proposed Rule 7.31E would govern orders and modifiers, the Exchange proposes that Rule 13 – Equities (Orders and Modifiers) would not be applicable to trading on the Pillar trading platform. In addition, references to Trading Collars in Rule 1000(c) – Equities would not be applicable to trading on the Pillar Trading platform.<sup>23</sup>

Proposed Rule 7.34E would specify trading session on the Exchange. Similar to NYSE Arca Equities, the Exchange proposes that on the Pillar trading platform, it would have Early, Core, and Late Trading Sessions. Accordingly, proposed Rule 7.34E is based on NYSE Arca Equities Rule 7.34, with non-substantive differences. The Exchange proposes one substantive difference from NYSE Arca Equities Rule 7.34 in that the Early Trading Session would begin at 7:00 a.m. Eastern Time rather than 4:00 a.m. Eastern Time. Similar to NYSE Arca Equities, the Exchange would begin accepting orders 30 minutes before the Early Trading Session begins, which means order entry acceptance would begin at 6:30 a.m. Eastern Time instead of at 3:30 a.m. Eastern Time. These differences would be reflected in proposed Rule 7.34E(a)(1).

In addition, because the Exchange would use Pillar phase II protocols, proposed Rule 7.34E(b)(1) would specify that an order entered without a trading session designation would be rejected. In addition, the Exchange proposes that it would not include rule text based on NYSE Arca Equities Rule 7.34(b)(2) or (3).

The following proposed rules in Section 3 of Rule 7E would be based on existing NYSE Arca Equities rules without any substantive differences:

- Proposed Rule 7.29E (Access) would provide that the Exchange

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<sup>23</sup> As described in greater detail below, the Exchange proposes that the entirety of Rule 1000 – Equities would not be applicable to trading on the Pillar trading platform.

would be available for entry and cancellation of orders by ETP Holders with authorized access. To obtain authorized access to the Exchange, each ETP Holder would be required to enter into a User Agreement. Proposed Rule 7.29E is based on NYSE Arca Equities Rule 7.29(a), without any substantive differences. The Exchange does not propose to include rule text based on NYSE Arca Equities Rule 7.29(b) because the Exchange would not offer sponsored access.

- Proposed Rule 7.30E (Authorized Traders) would establish requirements for ETP Holders relating to ATs. The proposed rule is based on NYSE Arca Equities Rule 7.30, without any substantive differences.
- Proposed Rule 7.32E (Order Entry) would establish requirements for order entry size. The proposed rule is based on NYSE Arca Equities Rule 7.32 without any substantive differences. The Exchange proposes that the current maximum order size references before subparagraph (a) in Rule 1000 - Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.33E (Capacity Codes) would establish requirements for capacity code information that ETP Holders must include with every order. The proposed rule is based on NYSE Arca Equities Rule 7.33 without any substantive differences. The Exchange proposes to use the title “Capacity Codes” instead of

“ETP Holder User,” for proposed Rule 7.33E, which the Exchange believes provides more clarity regarding the content of the proposed rule. The Exchange proposes that the capacity code requirements in Supplementary Material .30(9) to Rule 132 – Equities would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.35E (Auctions) would establish requirements for auctions on the Exchange. Because the Exchange proposes to automate all auctions and not have a DMM facilitate such auctions, the proposed rule is based on NYSE Arca Equities Rule 7.35 without any substantive differences. The Exchange proposes that paragraph (a)(10)(A), regarding Auction Collars for Trading Halt Auctions, which is based on a pilot rule of NYSE Arca Equities, would be in effect until SR-NYSEArca-2016-130 has been approved and a proposed rule change based on SR-NYSEArca-2016-130 for the Exchange is effective and operative.<sup>24</sup> Because proposed Rule 7.35E would govern all auctions, including the Early Open Auction, Core Open Auction, Trading Halt Auction, IPO Auction, and Closing Auction, the Exchange proposes that the following rules, which govern auctions on the Exchange, would not be applicable to trading on the Pillar trading platform: Rule 15 – Equities (governing pre-opening indications and Opening Order

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See SR-NYSEArca-2016-169.

Imbalance Information), Rule 115A – Equities (governing the opening process), Supplementary Material .40 to Rule 116 – Equities (governing pair off of MOC and LOC orders at the close),<sup>25</sup> Rule 123C – Equities (governing the closing process), and Rule 123D – Equities (governing the opening and trading halts).

- Proposed Rule 7.36E (Order Ranking and Display) would establish requirements for how orders would be ranked and displayed at the Exchange. The proposed rule is based on NYSE Arca Equities Rule 7.36 without any substantive differences.
- Proposed Rule 7.37E (Order Execution and Routing) would establish requirements for how orders would execute and route at the Exchange, the data feeds that the Exchange would use, and Exchange requirements under the Order Protection Rule and the prohibition on locking and crossing quotations in NMS Stocks. This proposed rule is based on NYSE Arca Equities Rule 7.37 with two substantive differences. First, because the Exchange would not be taking in data feeds from broker dealers or routing to Away Markets that are not displaying protected quotations, the Exchange proposes that proposed Rule 7.37E would not include rule text from paragraph (b)(3) of NYSE Arca Equities Rule 7.37, which specifies that an ETP Holder can opt out of routing to Away

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As described below, because the Exchange would not have Floor-based DMMs or trading, the remainder of Rule 116 – Equities would not be applicable to trading on the Pillar trading platform



Markets that are not displayed a protected quotation, i.e., broker dealers, or paragraph (d)(1) of NYSE Arca Equities Rule 7.37, which specifies that NYSE Arca Equities receives data feeds directly from broker dealers. Second, initially, the Exchange proposes to use SIP data feeds as the primary source for NYSE Arca Equities.<sup>26</sup>

The subject matter of proposed Rule 7.36E and 7.37E address a cross-section of current rules. Accordingly, the Exchange proposes that the following rules would not be applicable to trading on the Pillar trading platform: Rule 15A – Equities (Order Protection Rule), Rule 19 – Equities (Locking or Crossing Protected Quotations in NMS Stocks), Rule 60 – Equities (Dissemination of Quotations), Rule 61 – Equities (Recognized Quotations), Rule 72 – Equities (Priority of Bids and Offers and Allocation of Executions), Supplementary Material .15 to Rule 79A – Equities, Rule 1000(a) and (b) – Equities (Automatic Executions), Rule 1001 – Equities (Execution of Automatically Executing Orders), Rule 1002 – Equities (Availability of Automatic Execution Feature), and Rule 1004 - Equities (Election of Buy Minus and Sell Plus).

- Proposed Rule 7.38E (Odd and Mixed Lot) would establish

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<sup>26</sup> The Exchange anticipates that it will begin using Direct Feeds as the primary source for NYSE Arca Equities later in the second quarter of 2017 and will file a separate proposed rule change when it makes that change.

requirements relating to odd lot and mixed lot trading on the Exchange. The proposed rule is based on NYSE Arca Equities Rule 7.38 without any substantive differences.

- Proposed Rule 7.40E (Trade Execution and Reporting) would establish the Exchange's obligation to report trades to an appropriate consolidated transaction reporting system. The proposed rule is based on NYSE Arca Equities Rule 7.40 without any substantive differences. Because all reporting of transactions would be automated, the Exchange proposes that Rule 128A – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 7.41E (Clearance and Settlement) would establish requirements that all trades be processed for clearance and settlement on a locked-in and anonymous basis. Specifically, proposed Rules 7.41E(a), (b), (d), and (e) are based on NYSE Arca Equities Rule 7.41(a), (b), (d), and (e) with non-substantive differences not to include references to sponsored access, because the Exchange will not offer sponsored access. Proposed Rule 7.41E(c) is based on NYSE Rule 130(b), which reflects the circumstances when the Exchange may reveal the contra-party identity.<sup>27</sup> In addition, proposed Commentary .10 to Rule 7.41E is

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<sup>27</sup> See Securities Exchange Act Release No. 77930 (May 26, 2016), 81 FR 35410 (June 2, 2016) (SR-NYSE-2016-38) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change).

based on Supplementary Material .10 to Rule 132, defining the term “Qualified Clearing Agency.” The Exchange proposes to define this term for use in proposed Rule 7.41E(c). Because all trades would be reported by the Exchange on a locked-in basis, the Exchange proposes to specify that the following rules relating to clearance and settlement would not be applicable to trading on the Pillar trading system: Rule 130 – Equities (Overnight Comparison of Exchange Transactions), Rule 132 – Equities (Comparison and Settlement of Transactions Through a Fully-Interfaced or Qualified Clearing Agency), Rule 133 – Equities (Comparison – Non-cleared Transactions), Rule 134 (Differences and Omissions – Cleared Transactions QTs), Rule 135 – Equities (Differences and Omissions – Non-cleared Transactions (‘DKs’)), and Rule 136 – Equities (Comparison – Transactions Excluded from a Clearance).

As noted above, the Exchange would not offer a Retail Liquidity Program when it trades on the Pillar trading platform. Accordingly, the Exchange would not propose rules based on NYSE Arca Equities Rule 7.44 and proposed Rules 7.36E, 7.37E, and 7.38E would not include cross references to Rule 7.44. The Exchange proposes that Rule 107C - Equities would not be applicable to trading on the Pillar trading platform.

Section 4 of Rule 7E would establish the Operation of a Routing Broker. Specifically, proposed Rule 7.45E (Operation of a Routing Broker) would establish the outbound and inbound function of the Exchange’s routing broker and the cancellation of orders and the Exchange’s error account. The proposed rule is based on NYSE Arca

Equities Rule 7.45 without any substantive differences. The Exchange proposes that Rule 17 – Equities (Use of Exchange Facilities and Vendor Services) would not be applicable to trading on the Pillar trading platform.<sup>28</sup>

Section 5 of Rule 7E would establish requirements relating to the Plan to Implement a Tick Size Pilot Program. Proposed Rule 7.46E (Tick Size Pilot Plan) would specify such requirements. The proposed rule is based on NYSE Arca Equities Rule 7.46 with a proposed substantive difference not to include cross references to a Retail Liquidity Program in proposed Rules 7.46E(c), (d)(1), and (e)(1). The Exchange also proposes to designate proposed Rules 7.46E(f)(4) and (f)(5)(B) as “Reserved” because the Exchange would not support Retail Price Improvement Orders or routing to Away Markets that are not displaying protected quotations on Pillar. The remaining differences are all non-substantive, including using the term MKT Only Order rather than Arca Only Order. The Exchange proposes that Rule 67 – Equities (Tick Size Pilot Plan) would not be applicable to trading on the Pillar trading platform.

### Rule 12E

The Exchange proposes to amend Rule 12E to delete the term “Reserved,” rename it “Arbitration,” and establish the Exchange’s arbitration procedures. The proposed rule text is based on current Rule 600 – Equities, with a non-substantive change to use the term “ETP Holder” instead of “member organization.” The Exchange proposes to move this rule text to Rule 12E so that it has the same rule number as the arbitration rules of

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<sup>28</sup> The subject matter of Rule 17(a) – Equities would be addressed in proposed Rule 13.2E. On Pillar, the Exchange would not operate with vendors and therefore would not need a vendor liability rule, as described in Rule 17(b) – Equities. Current Rule 17(c) – Equities would not be applicable because it addresses the same subject matter as proposed Rule 7.45E.

NYSE Arca Equities. The Exchange further proposes that Rule 600 – Equities would not be applicable to trading on the Pillar trading platform.

Rule 13E

The Exchange proposes to amend Rule 13E to delete the term “Reserved” and rename it “Liability of Directors and Exchange.”

- Proposed Rule 13.2E (Liability of the Exchange) would establish requirements governing liability of the Exchange, including the limits on liability for specified circumstances. This proposed rule is based on Rule 905NY, which governs liability of the Exchange for its options market, and NYSE Arca Equities Rule 13.2 without any substantive differences. Because this rule would govern liability of the Exchange, the Exchange proposes that Rule 18 – Equities would not be applicable to trading on the Pillar trading platform.
- Proposed Rule 13.3E (Legal Proceedings Against Directors, Officers, Employees, or Agents) would establish requirements relating to legal proceedings against directors, officers, employees, agents, or other officials of the Exchange. The proposed rule is based on NYSE Arca Equities Rule 13.3 without any substantive differences.
- Proposed Rule 13.4E (Exchange’s Costs of Defending Legal Proceedings) would establish the circumstances regarding who is responsible for the Exchange’s costs in defending a legal

proceeding brought against the Exchange. The proposed rule is based on NYSE Arca Equities Rule 13.4 without any substantive differences and Rule 61, which governs the Exchange's costs of defending legal proceedings for its options market. The Exchange proposes that Rule 25 – Equities (Exchange Liability for Legal Costs) would not be applicable to trading on the Pillar trading platform.

*Proposed Amendments to the Exchange's Off-Hours Trading Facility*

After the Exchange transitions to the Pillar trading platform, the Exchange proposes to maintain certain functionality in its Off-Hours Trading Facility, which is currently described in Rules 900 – Equities through 907 – Equities (the “Rule 900 Series”). Specifically, once trading begins on its Pillar trading platform, the Exchange proposes that the only function that would be available on its Off-Hours Trading Facility would be for ETP Holders to enter aggregate-price coupled orders.

The Exchange proposes that new Rule 7.39E would describe this Off-Hours Trading Facility functionality,<sup>29</sup> and that the entirety of the Rule 900 Series would not be applicable to trading on the Pillar trading platform.

- Proposed Rule 7.39E(a) would provide that Rule 7.39E would apply to all Exchange contracts made on the Exchange through its “Off-Hours Trading Facility.” This proposed rule text is based on

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<sup>29</sup> NYSE Arca Equities Rule 7.39 addresses the adjustment of open orders, e.g., orders with a good until canceled time-in-force instruction, due to corporate actions. Because the Exchange does not propose to have any open orders when trading on the Pillar trading platform, the Exchange will not adopt rule text based on NYSE Arca Equities Rule 7.39.

the first sentence of Rule 900(a) – Equities. The Exchange would not include rule text specified in the second sentence of Rule 900(a) – Equities and text from Rule 900(b) – Equities through Rule 900(d) – Equities because it would not apply to the Off-Hours Trading Facility once trading begins on the Pillar trading platform.

- Proposed Rule 7.39E(b) would establish the definitions for the Off-Hours Trading Facility. Proposed Rule 7.39E(b)(i) would define the term “Aggregate-Price Coupled Order” to mean an order to buy or sell a group of securities, which group includes no fewer than 15 Exchange-listed or traded securities having a total market value of \$1 million or more. This proposed definition is based on the definition of “aggregate-price order” in Rule 900(e)(i) – Equities with a non-substantive difference to use the term “Aggregate-Price Coupled Order” rather than “aggregate-price order.” Proposed Rule 7.39E(e)(b)(ii) would define the term “Off-Hours Trading Facility,” to mean the Exchange facility that permits ETP Holders to effect securities transactions on the Exchange under proposed Rule 7.39E and is based on Rule 900(e)(v) – Equities with a non-substantive difference to use the term “ETP Holder” instead of “member or member organization.” Proposed Rule 7.39E(b)(ii) would also define the term “Off-Hours Trading” to mean trading through the Off-Hours Trading Facility. This text is based on the second sentence of Rule 900(e)(v) – Equities. Because the

Exchange would only be trading Aggregate-Price Coupled Orders in the Off-Hours Trading Facility, the Exchange proposes that Rule 7.39E(b) would not include definitions for “closing price,” “closing-price order,” or “guaranteed price coupled order,” which are defined in Rule 900(e)(ii) – (iv) – Equities.

- Proposed Rule 7.39E(c) would establish that only such NMS Stocks, as the Exchange may specify, including Exchange-listed securities and UTP Securities, would be eligible to trade in the Off-Hours Trading Facility. This proposed rule text is based on Rule 901 – Equities with non-substantive differences to use Pillar terminology to describe which securities would be eligible to trade in the Off-Hours Trading Facility. The Exchange would not include rule text from Supplementary Material .10 of Rule 902, which provides that only the orders described in Rule 902 are eligible for Off-Hours Trading because it is redundant of proposed Rule 7.39E(c).
- Proposed Rule 7.39E(d) would establish the procedures for entering Aggregate-Price Coupled Orders into the Off-Hours Trading Facility. As proposed, an ETP Holder may only enter into the Off-Hours Trading Facility an Aggregate-Price Coupled Order to buy (sell) that is matched with an Aggregate-Price Coupled Order to sell (buy) the same quantities of the same securities, including in odd lot and mixed lot quantities. This proposed rule



text is based on Rule 902(a)(iii) – Equities and Rule 902(g) – Equities with non-substantive differences to combine the two sections into a single section of rule text. The Exchange would not include rule text from Rule 902(a)(ii) because this specifies a Floor-based method to enter a coupled-order after the close and therefore would not be necessary on the Exchange’s proposed Pillar trading system.

- Proposed Rule 7.39E(d)(i) would provide that transactions effected through the Off-Hours Trading Facility pursuant to Aggregate-Price Coupled Orders may be for delivery at such time as the parties entering the orders may agree. This proposed rule text is based on the first sentence of Rule 902(c) – Equities. The Exchange would not include the second sentence of Rule 902(c) – Equities in proposed Rule 7.39E(d)(i) because all orders in the Off-Hours Trading Facility would be Aggregate-Price Coupled Orders and thus subject to proposed Rule 7.39E(d)(i).
- Proposed Rule 7.39E(d)(ii) would provide that ETP Holders would mark all sell orders as “long” as appropriate. This proposed rule text is based on Rule 902(f) – Equities with a non-substantive difference to use the term “ETP Holder” instead of “members and member organizations.”
- Proposed Rule 7.39E(d)(iii) would provide that each side of an Aggregate-Price Coupled Order entered on a matched basis would

be traded on entry against the other side without regard to the priority of other orders entered into the Off-Hours Trading Facility.

This proposed rule text is based on Rule 903(b) – Equities and 903(d)(i) with non-substantive differences to combine those rules into a single sub-section, use Pillar terminology, and use the term “matched” instead of “coupled.”

- Proposed Rule 7.39E(d)(iv) would provide that a transaction described in this Rule would be an Exchange contract that is binding in all respects and without limit on the ETP Holder that enters any of the transaction's component orders and that the ETP Holder would be fully responsible for the Exchange contract. This proposed rule text is based on Rule 903(c) – Equities with non-substantive differences to use the term “ETP Holder” instead of “member or member organization.”
- Proposed Rule 7.39E(e) would provide that each ETP Holder would report to the Exchange such information, in such manner, and at such times, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, but not limited to, reports relating to Off-Hours Trading orders, proprietary or agency activity and activity in related instruments. This proposed rule text is based on Rule 905(a) – Equities with a non-substantive difference to use the term “ETP Holder” instead of “member or member organization.”

- Proposed Rule 7.39E(f) would provide that each ETP Holder would maintain and preserve such records, in such manner, and for such period of time, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, records relating to orders, cancellations, executions and trading volume, proprietary trading activity, activity in related instruments and securities and other records necessary to allow the ETP Holder to comply with the reporting provisions of proposed paragraph (e) of Rule 7.39E. This proposed rule text is based on rule 905(b) – Equities with non-substantive differences to use the term “ETP Holder” instead of “member or member organization,” and to eliminate the “but not limited to” text.
- Proposed Rule 7.39E(g) would provide that notwithstanding a trading halt in any security (other than a trading halt pursuant to Rule 7.12E (Trading Halts Due to Extraordinary Market Volatility)) or a corporate development, ETP Holders may enter Aggregate-Price Coupled Orders into the Off-Hours Trading Facility under this Rule. This proposed rule text is based on Supplementary Material .10 to Rule 906 – Equities with non-substantive differences to cross-reference Rule 7.12E instead of Rule 80B and to use the term “ETP Holders” instead of “members and member organizations.”

In addition to the provisions of the Rule 900 Series noted above, the Exchange

would not include rule text from Rule 903(d)(ii) – Equities and Rule 906(b) – Equities in proposed Rule 7.39E because these provisions relate to Floor-based use of the Off-Hours Trading Facility, which would not be available on the proposed Pillar trading platform. In addition, the Exchange proposes that Rule 7.39E would not include any provisions from Rule 907, which describes now-obsolete crossing session functionality.

*Current Rules that would not be Applicable to Pillar*

As described in more detail above, in connection with the proposed rules to support cash equities trading on the Pillar trading platform, the Exchange has identified current Exchange rules that would not be applicable because they would be superseded by a proposed rule. The Exchange has identified additional current rules that would not be applicable to trading on Pillar. These rules do not have a counterpart in the proposed Pillar rules, described above, but would be obsolete on the new, fully-automated trading platform.

The main category of rules that would not be applicable to trading on the Pillar trading platform are those that are specific to Floor-based trading, including requirements relating to DMMs and Floor brokers. For this reason, the Exchange proposes that the following Floor-specific rules would not be applicable to trading on the Pillar trading platform:

- Paragraphs (a), (i), and (j) of Rule 2 – Equities (“Member,” “Membership,” and “Member Firm,” etc.) (defining terms relating to Floor-based trading, i.e., member, DMM, and DMM unit).
- Rule 6 – Equities (Floor).
- Rule 6A – Equities (Trading Floor).

- Rule 35 – Equities (Floor Employees to be Registered).
- Rule 36 – Equities (Communications Between Exchange and Members’ Offices).
- Rule 46 – Equities (Floor Officials – Appointments).
- Rule 46A – Equities (Executive Floor Governors).
- Rule 47 – Equities (Floor Officials – Unusual Situations).
- Rule 52 – Equities (Dealings on the Exchange – Hours).
- Rule 53 – Equities (Dealings on Floor – Securities).
- Rule 54 – Equities (Dealings on Floor – Persons).
- Rule 70 – Equities (Execution of Floor broker interest).
- Rule 74 – Equities (Publicity of Bids and Offers).
- Rule 75 – Equities (Disputes as to Bids and Offers).
- Rule 76 – Equities (‘Crossing’ Orders).
- Rule 77 – Equities (Prohibited Dealings and Activities).
- Rule 79A – Equities (Miscellaneous Requirements on Stock Market Procedures).
- Rule 90 – Equities (Dealings by Members on the Exchange).
- Rule 91 – Equities (Taking or Supplying Securities Named in Order).
- Rule 95 – Equities (Discretionary Transactions).
- Rule 103A – Equities (Member Education)
- Rule 106A – Equities (Taking Book or Order of Another Member).
- Rule 108 – Equities (Limitation on Members’ Bids and Offers).

- Rule 112 – Equities (Orders Initiated ‘Off the Floor’).
- Rule 116 – Equities (‘Stop’ Constitutes Guarantee).
- Rule 117 – Equities (Orders of Members To Be in Writing).
- Rule 121 – Equities (Records of DMM Units).
- Rule 122 – Equities (Orders with More than One Broker).
- Rule 123 – Equities (Record of Orders).
- Rule 123A – Equities (Miscellaneous Requirements).
- Rule 123B – Equities (Exchange Automated Order Routing System).
- Rule 126 – Equities (Odd-Lot Dealers General).
- Rule 127 – Equities (Block Crossed Outside the Prevailing Exchange Quotation).
- Rule 128B – Equities (Publication of Changes, Corrections, Cancellations or Omissions and Verifications of Transactions).
- Rule 131 – Equities (Comparison – Requirements for Reporting Trades and Providing Facilities).
- Rule 301 – Equities (Qualifications for Membership).
- Rule 303 – Equities (Limitation on Access to Floor).
- Rule 304A – Equities (Member Examination Requirements).
- Rule 440I – Equities (Records of Compensation Arrangements – Floor Brokerage).
- Rule 1000(d) – (g) – Equities (Capital Commitment Schedule).

In addition, the Exchange proposes that the following rules would not be applicable to trading on the Pillar platform.

- Rule 11 – Equities (Effect of Definitions) because Rule 1.1E supersedes any description of definitions.
- Rule 23 – Equities (New York local time) because all references to times in the proposed Pillar trading platform rules refer to “Eastern Time.”
- Rule 24 – Equities (Change in Procedure to Conform to Changes Hours of Trading) because proposed Rule 7.1E would specify the hours of the Exchange.
- Rule 80 – Equities (NYSE MKT Bonds) because the Exchange would not trade bonds on the Pillar trading platform.
- Rule 107B – Equities (Supplemental Liquidity Providers) because the Exchange would not support the Supplemental Liquidity Provider program on its proposed Pillar trading platform.
- Rule 119 – Equities (Change in Basis from “And Interest” to “Flat”) because the Exchange would not trade bonds on its proposed Pillar trading platform.
- Rule 131A – Equities (A Member Organization Shall Use Its Own Mnemonic When Entering Orders) because the Exchange would use MPIDs rather than mnemonics on its proposed Pillar trading platform.

*Proposed Deletion of Rules Designated “Reserved”*

To simplify the Exchange’s rules, the Exchange proposes to delete Equities rules that are currently designated “Reserved.”<sup>30</sup> The Exchange believes it would reduce confusion and promote transparency to delete references to rules that do not have any substantive content. The Exchange further believes that because it is transitioning to a new rule numbering framework, maintaining these rules on a reserved basis is no longer necessary.

Section 11(a) of the Act

Section 11(a)(1) of the Act<sup>31</sup> (“Section 11(a)(1)”) prohibits a member of a national securities exchange from effecting transactions on that exchange for its own account, the account of an associated person, or an account over which it or its associated person exercises investment discretion (collectively, “covered accounts”) unless an exception to the prohibition applies. Rule 11a2-2(T) under the Act (“Rule 11a2-2(T)”)<sup>32</sup> known as the “effect versus execute” rule, provides exchange members with an exemption from the

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<sup>30</sup> See Rules 16 – Equities; 20 – Equities; 21 – Equities (Disqualification of Directors on Listing of Securities); Rule 26 – Equities (Disqualification of Directors on Listing of Securities); Rule 29 – Equities – Rule 34 – Equities; Rule 38 – Equities – Rule 44 – Equities; Rule 45 – Equities (Equities); Rule 50 – Equities; Rule 57 – Equities – Rule 59 – Equities; Rule 60A – Equities; Rule 65 – Equities; Rule 69 – Equities; Rule 92 – Equities; Rule 106 – Equities; Rule 107 – Equities; Rule 109 – Equities – Rule 111 – Equities; Rule 115 – Equities; Rule 118 – Equities; Rule 123G – Equities; Rule 124 – Equities; Rule 132A – Equities; Rule 132B – Equities; Rule 132C – Equities; Rule 305 – Equities – 307 – Equities; Rule 309 – Equities; Rules 314 – Equities – 318 – Equities; Rule 319 – Equities; Rule 322 – Equities; Rules 323 – Equities – 324 – Equities; Rule 325 – Equities; Rule 326(a) – Equities; Rule 326(b) – Equities; Rule 326(c) – Equities; Rule 326(d) – Equities; Rule 327 – Equities; Rule 328 – Equities; Rule 329 – Equities; Rule 343 – Equities; Rule 440A – Equities; and Rule 1003 - Equities.

<sup>31</sup> 15 U.S.C. 78k(a)(1).

<sup>32</sup> 17 CFR 240.11a2-2(T).



Section 11(a)(1) prohibition. Rule 11a2-2(T) permits an exchange member, subject to certain conditions, to effect transactions for covered accounts by arranging for an unaffiliated member to execute the transactions on the exchange. To comply with Rule 11a2-2(T)'s conditions, a member: (i) must transmit the order from off the exchange floor; (ii) may not participate in the execution of the transaction once it has been transmitted to the member performing the execution (although the member may participate in clearing and settling the transaction); (iii) may not be affiliated with the executing member; and (iv) with respect to an account over which the member or its associated person has investment discretion, neither the member nor its associated person may retain any compensation in connection with effecting the transaction except as provided in the Rule.

With the proposed transition of the Exchange to a fully automated electronic trading model that does not have a trading floor, the Exchange believes that the policy concerns Congress sought to address in Section 11(a)(1), i.e., the time and place advantage that members on exchange trading floors have over non-members off the floor and the general public – would not be present. Specifically, on the Pillar trading system, buy and sell interest will be matching in a continuous, automated fashion. Liquidity will be derived from quotes as well as orders to buy and orders to sell submitted to the Exchange electronically by ETP Holders from remote locations. The Exchange further believes that ETP Holders entering orders into the Exchange's Pillar trading system will satisfy the requirements of Rule 11a2-2(T) under the Act, which provides an exception to Section 11(a)'s general prohibition on proprietary trading.

The four conditions imposed by the "effect versus execute" rule are designed to

put members and non-members of an exchange on the same footing, to the extent practicable, in light of the purpose of Section 11(a). For the reasons set forth below, the Exchange believes the structure and characteristics of its proposed Pillar trading system do not result in disparate treatment of members and non-members and places them on the "same footing" as intended by Rule 11a2-2(T).

1. **Off-Floor Transmission.** Rule 11a2-2(T) requires orders for a covered account transaction to be transmitted from off the exchange floor. The Commission has considered this and other requirements of the rule in the context of automated trading and electronic order handling facilities operated by various national securities exchanges in a 1979 Release<sup>33</sup> as well as more applications of Rule 11a2-2(T) in connection with the approval of the registrations of national securities exchanges.<sup>34</sup> In the context of these automated trading systems, the Commission has found that the off-floor transmission requirement is met if an order for a covered account is transmitted from a remote location directly to

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<sup>33</sup> See Securities Exchange Act Release No. 15533 (January 29, 1979) (regarding the Amex Post Execution Reporting System, the Amex Switching System, the Intermarket Trading System, the Multiple Dealer Trading Facility of the Cincinnati Stock Exchange, the PCX's Communications and Execution System ("COM EX"), and the Phlx's Automated Communications and Execution System ("PACE")) ("1979 Release").

<sup>34</sup> Securities Exchange Act Release Nos. 53128 (January 13, 2006) 71 FR 3550 (January 23, 2006) (File No. 10-13 1) (order approving Nasdaq Exchange registration); 58375 (August 18, 2008) 73 FR 49498 (August 21, 2008) (order approving BATS Exchange registration); 61152 (December 10, 2009) 74 FR 66699 (December 16, 2009) (order approving C2 exchange registration); and 78101 (June 17, 2016), 81 FR 41142, 41164 (June 23, 2016) (order approving Investors Exchange LLC registration).

an exchange's floor by electronic means.<sup>35</sup> Because the Exchange would not have a physical trading floor once it transitions to the Pillar trading platform, and like other all electronic exchanges, the Exchange's Pillar trading system would receive orders from ETP Holders electronically through remote terminals or computer-to-computer interfaces, the Exchange therefore believes that its trading system satisfies the off-floor transmission requirement.

2. **Non-Participation in Order Execution.** The "effect versus execute" rule further provides that neither the exchange member nor an associated person of such member participate in the execution of its order. This requirement was originally intended to prevent members from using their own brokers on an exchange floor to influence or guide the execution of their orders.<sup>36</sup> The rule, however, does not preclude members from cancelling or modifying orders, or from modifying instructions for executing orders, after they have been transmitted, provided such cancellations or modifications are transmitted from off an

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<sup>35</sup> See, e.g., Securities Exchange Act Release Nos. 49068 (January 13, 2004), 69 FR 2775 (January 20, 2004) (order approving the Boston Options Exchange as an options trading facility of the Boston Stock Exchange); 44983 (October 25, 2001), 66 FR 55225 (November 1, 2001) (order approving Archipelago Exchange ("ArcaEx") as electronic trading facility of the Pacific Exchange ("PCX") ("Arca Ex Order")); 29237 (May 24, 1991), 56 FR 24853 (May 31, 1991) (regarding NYSE's Off-Hours Trading Facility); 15533 (January 29, 1979); and 14563 (March 14, 1978), 43 FR 11542 (March 17, 1978) (regarding the NYSE's Designated Order Turnaround System ("1978 Release")).

<sup>36</sup> Id. 1978 Release, supra note 35.

exchange floor.<sup>37</sup> In the 1979 Release discussing both the Pacific Stock Exchange's COM EX system and the Philadelphia Stock Exchange's PACE system, the Commission noted that a member relinquishes any ability to influence or guide the execution of its order at the time the order is transmitted into the systems, and although the execution is automatic, the design of such systems ensures that members do not possess any special or unique trading advantages in handling orders after transmission to the systems.<sup>38</sup> The Exchange's Pillar trading system would at no time following the submission of an order allow an ETP Holder or an associated person of such member to acquire control or influence over the result or timing of an order's execution. The execution of an ETP Holder's order would be determined solely by what quotes and orders are present in the system at the time the member submits the order and the order priority based on Exchange rules. Therefore, the Exchange believes the non-participation requirement would be met through the submission and execution of orders in the Exchange's Pillar trading system.

3. **Execution Through an Unaffiliated Member.** Although Rule 11a2-2(T) contemplates having an order executed by an exchange member, unaffiliated with the member initiating the order, the

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<sup>37</sup> Id.

<sup>38</sup> 1979 Release, supra, note 33.

Commission has recognized the requirement is satisfied where automated exchange facilities are used as long as the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange. In the 1979 Release, the Commission noted that while there is not an independent executing exchange member, the execution of an order is automatic once it has been transmitted into the systems. Because the design of these systems ensures that members do not possess any special or unique trading advantages in handling their orders after transmitting them to the exchange, the Commission has stated that executions obtained through these systems satisfy the independent execution requirement of Rule 11a2-2(T). Because the design of the Exchange's Pillar trading system ensures that no ETP Holder has any special or unique trading advantages over nonmembers in the handling of its orders after transmitting its orders to the Exchange, the Exchange believes that its Pillar trading system would satisfy this requirement.

**4. Non-Retention of Compensation for Discretionary Accounts.**

Finally, Rule 11a2-2(T) states, in the case of a transaction effected for the account for which the initiating member or its associated person exercises investment discretion, in general, the member or its associated person may not retain compensation for effecting the

transaction, unless the person authorized to transact business for the account has expressly provided otherwise by written contract referring to both Section 11(a) of the Exchange Act and Rule 11a2-2(T). The Exchange will advise its membership through the issuance of a Regulatory Bulletin that those ETP Holders trading for covered accounts over which they exercise investment discretion must comply with this condition in order to rely on the exemption in Rule 11a2-2(T) from the prohibition in Section 11(a) of the Exchange Act.

In conclusion, The Exchange believes that its Pillar trading system would satisfy the four requirements of Rule 11a2-2(T) as well as the general policy objectives of Section 11(a). The Exchange's proposed Pillar trading system would place all users, members and non-members, on the "same footing" with respect to transactions on the Exchange for covered accounts as intended by Rule 11a2-2(T). As such, no Exchange ETP Holder would be able to engage in proprietary trading in a manner inconsistent with Section 11(a).

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As discussed above, because of the technology changes associated with the migration to the Pillar trading platform, the Exchange will announce by Trader Update when rules with an "E" modifier will become operative.

## 2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Securities

Exchange Act of 1934 (the “Act”),<sup>39</sup> in general, and furthers the objectives of Section 6(b)(5),<sup>40</sup> in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. The Exchange believes that the proposed rules to support Pillar on the Exchange would remove impediments to and perfect the mechanism of a free and open market because they provide for a complete set of rules to support the Exchange’s transition to a fully automated cash equities trading model on the Pillar trading platform.

Generally, the Exchange believes that the proposed rules would support the Exchange’s transition to a fully automated cash equities trading market with a price-time priority model because they are based on the rules of its affiliated market, NYSE Arca Equities. Because the goal of Pillar is to promote consistency among NYSE Arca, NYSE MKT, and NYSE, the Exchange believes that the proposed changes would simplify order entry and execution across the Exchange and its affiliates by having common rules for its members, subject to specified differences. The proposed rule change would therefore remove impediments to and perfect the mechanism of a free and open market and a national market system by promoting commonality across affiliated exchanges.

More specifically, the Exchange believes that the proposed definitions for Rule 1.1E would remove impediments to and perfect the mechanism of a free and open market

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<sup>39</sup> 15 U.S.C. 78f(b).

<sup>40</sup> 15 U.S.C. 78f(b)(5).

and a national market system because the proposed definitions are terms that would be used in the additional rules proposed by the Exchange. The Exchange also believes that proposed Rule 2E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would specify the requirements to obtain an ETP for trading on the Exchange's Pillar trading platform. In addition, the proposed rules governing employee registrations would remove impediments to and perfect the mechanism of a free and open market and a national market system because they would ensure that employees of broker-dealers that are members of both NYSE Arca Equities and the Exchange would be subject to the same registration requirements. The proposed rule change would therefore also promote just and equitable principles of trade by requiring the same registration requirements for the same type of trading on affiliated exchanges.

The Exchange believes that proposed Rule 3E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would move existing rules to new rule numbering that aligns with the Framework Filing rule numbering. The proposed rule change would therefore promote consistency among the Exchange and its affiliates and make its rules easier to navigate for the public, the Commission, and members.

The Exchange believes that proposed Rule 6E is designed to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade because it would establish regulatory requirements for its ETP Holders. Proposed Rule 6.3E is designed to prevent fraudulent and manipulative acts and practices because it addresses the potential misuse of material non-public information and is based on NYSE



Arca Equities Rule 6.3. The remaining rules proposed for Rule 6E are based on existing Exchange rules and the Exchange believes it would make its rules easier to navigate to move the text of these rules to rule numbers consistent with the Framework Filing.

The Exchange believes that proposed Rule 7E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would establish rules that would govern trading on the Exchange, including post-trade requirements, that would establish the Exchange as a fully automated trading market with a price-time priority trading model. The proposed rules are based on the rules of NYSE Arca Equities, and include rules governing orders and modifiers, ranking and display, execution and routing, trading sessions, and auctions. The Exchange believes that the proposed substantive difference that its proposed Early Trading Session would begin at 7:00 a.m. Eastern Time, rather than 4:00 a.m. Eastern Time, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would provide transparency of the trading hours of the Exchange when it begins trading on the Pillar trading platform.

The Exchange believes that proposed Rule 7.39E, which would govern the Off-Hours Trading Facility on the Exchange, would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would use Framework Filing rule numbering and Pillar terminology to describe the Off-Hours Trading Facility that would continue to be available once the Exchange transitions to Pillar. Proposed Rule 7.39E, which would offer ETP Holders the ability to enter Aggregate-Price Coupled Orders, is based on the Rule 900 Series.

The Exchange believes that proposed Rule 12E would remove impediments to

and perfect the mechanism of a free and open market and a national market system because it would move an existing rule to new rule numbering that aligns with the Framework Filing rule numbering. The proposed rule change would therefore promote consistency among the Exchange and its affiliates and make its rules easier to navigate for the public, the Commission, and members.

The Exchange believes that proposed Rule 13E would remove impediments to and perfect the mechanism of a free and open market and a national market system because it would harmonize the Exchange's rules governing liability for its equity market with Exchange rules governing liability for its options markets, and the rules governing liability on NYSE Arca Equities. The proposed rule change would therefore promote consistency among the Exchange and its affiliates and make its rules easier to navigate for the public, the Commission, and members.

The Exchange further believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to specify which current rules would not be applicable to trading on the Pillar trading platform. The Exchange believes that the following legend, which would be added to existing rules, "This rule is not applicable to trading on the Pillar trading platform," would promote transparency regarding which rules would govern trading on the Exchange once it transitions to Pillar. The Exchange has proposed to add this legend to rules that would be superseded by proposed rules or rules that would not be applicable because they concern Floor-based trading. The Exchange also believes that it would remove impediments to and perfect the mechanism of a free and open market and a national market system to delete rule numbers that are currently "reserved" because it would reduce confusion and

promote transparency to delete references to rules that do not have any substantive content. The Exchange further believes that because it is transitioning to a new rule numbering framework, maintaining these rules on a reserved basis is no longer necessary

Finally, for reasons described above, the Exchange believes that the proposal for the Exchange to operate on a fully automated trading market without a Floor is consistent with Section 11(a) of the Act and Rule 11a2-2(T) thereunder.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed change is designed to propose rules to support the Exchange's new Pillar trading platform, which would be a fully automated cash equities trading market that trades all NMS Stocks and is based on the rules of NYSE Arca Equities. The Exchange operates in a highly competitive environment in which its unaffiliated exchange competitors operate multiple affiliated exchanges that operate under common rules. By moving the Exchange to a fully automated trading model that trades all NMS Stocks, the Exchange believes that it will be able to compete on a more level playing field with its exchange competitors that similarly trade all NMS Stocks on fully automated trading models. In addition, by basing its rules on those of NYSE Arca Equities, the Exchange will provide its members with consistency across affiliated exchanges, thereby enabling the Exchange to compete with unaffiliated exchange competitors that similarly operate multiple exchanges on the same trading platforms.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule

change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove the proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NYSEMKT-2017-01 on the subject line.

Paper comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEMKT-2017-01. This file number should be included on the subject line if e-mail is used. To help the Commission

process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEMKT-2017-01 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>41</sup>

Robert W. Errett  
Deputy Secretary

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<sup>41</sup> 17 CFR 200.30-3(a)(12).

Additions: Underlined  
 Deletions: [Bracketed]

## Rules of NYSE MKT LLC

### Equities Rules

#### Rule 0 - Equities. Applicability and Phase-In

Except to the extent particular Non-Equities Rules are expressly designated herein as applicable, the Equities Rules (as such rules may be amended from time to time) shall govern all transactions conducted on the Equities Trading Systems. For the avoidance of doubt, the following Non-Equities Rules shall be applicable to transactions conducted on the Equities Trading Systems: Rules 41 and Section 9A or 9B of the Office Rules, as applicable. Rules 46 - Equities to 294 - Equities, inclusive, shall apply to all Exchange Contracts made on the Equities Trading Systems, and to the extent determined to be applicable, to Exchange Contracts not made on the Exchange.

#### Cash Equities Pillar Platform Rules (Rules 1E – 13E)

Rules 1E – 13E are operative for securities that are trading on the cash equities Pillar trading platform. The Exchange will announce by Trader Update when securities are trading on the Pillar trading platform. [The following rules will not be applicable to trading on the Pillar trading platform: Rules 7 - Equities, 55 - Equities, 56 - Equities, 62 – Equities, and 80B - Equities.]

### RULE 1E DEFINITIONS

#### Rule 1.1E. Definitions

As used in Exchange rules, unless the context requires otherwise, the terms below will mean the following:

#### Exchange Book

(a) [Reserved] The term "Exchange Book" refers to the Exchange's electronic file of orders.

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(f) Reserved

**Authorized Trader**

(g) [Reserved] The term "Authorized Trader" or "AT" means a person who may submit orders to the Exchange's cash equity Trading Facilities on behalf of his or her ETP Holder.

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(i) Reserved

**Core Trading Hours**

(j) [Reserved] The term "Core Trading Hours" means the hours of 9:30 am Eastern Time through 4:00 pm Eastern Time or such other hours as may be determined by the Exchange from time to time.

**Exchange**

(k) [Reserved] The term "Exchange" means NYSE MKT LLC.

**Eligible Security**

(l) The term "Eligible Security" means any equity security (i) either listed on the Exchange or traded on the Exchange pursuant to a grant of unlisted trading privileges under Section 12(f) of the Exchange Act and (ii) specified by the Exchange to be traded on the Exchange or other facility, as the case may be.

**ETP**

(m) [Reserved] The term "ETP" means an Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange's cash equity Pillar trading platform pursuant to Rules 1E – 13E. An ETP may be issued to a sole proprietor, partnership, corporation, limited liability company or other organization that is a registered broker or dealer pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, and which has been approved by the Exchange as a member organization.

**ETP Holder**

(n) [Reserved] The term "ETP Holder" means a member organization that has been issued an ETP. An ETP Holder will agree to be bound by the Rules of the Exchange, and by all applicable rules and regulations of the Securities and Exchange Commission.

**FINRA**

(o) The term “FINRA” means the Financial Industry Regulatory Authority, Inc.

**General Authorized Trader**

(p) [Reserved] The term "General Authorized Trader" or "GAT" means an AT who performs only non-market making activities on behalf of an ETP Holder.

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(t) Reserved

**Marketable**

(u) [Reserved] The term "Marketable" means, for a Limit Order, an order that can be immediately executed or routed. Market Orders are always considered Marketable.

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(cc) Reserved

**NBBO, Best Protected Bid, Best Protected Offer, Protected Best Bid and Offer (PBBO)**

(dd) The term “NBBO” means the national best bid or offer. The terms “NBB” mean the national best bid and “NBO” means the national best offer. The terms “Best Protected Bid” or “PBB” means the highest Protected Bid, and “Best Protected Offer” or “PBO” means the lowest Protected Offer, and the term “Protected Best Bid and Offer” (“PBBO”) means the Best Protected Bid and the Best Protected Offer.

(ee) Reserved

**Away Market**

(ff) The term “Away Market” means any exchange, alternative trading system (“ATS”) or other broker-dealer (1) with which the Exchange maintains an electronic linkage and (2) that provides instantaneous responses to orders routed from the Exchange. The Exchange will designate from time to time those ATSs or other broker-dealers that qualify as Away Markets.

**Official Closing Price**

(gg) [Reserved] The term "Official Closing Price" means the reference price to determine the closing price in a security for purposes of Rule 7E Equities Trading. The Official Closing Price is determined as follows:



- (1) For Auction-Eligible Securities, as defined in Rule 7.35E(a)(1), the Official Closing Price is the price established in a Closing Auction of one round lot or more on a trading day. If there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day, the Official Closing Price is the most recent consolidated last sale eligible trade during Core Trading Hours on that trading day.
- (A) If there were no consolidated last sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price will be the prior trading day's Official Closing Price.
- (B) For a security that has transferred its listing to the Exchange and does not have any consolidated last-sale eligible trades on its first trading day, the Official Closing Price will be the prior day's closing price disseminated by the primary listing market that previously listed such security.
- (C) For a security that is a new listing and does not have any consolidated last-sale eligible trades on its first trading day, the Official Closing Price will be based on a derived last sale associated with the price of such security before it begins trading on the Exchange.
- (2) If the Exchange determines at or before 3:00 p.m. Eastern Time that it is unable to conduct a Closing Auction in one or more Exchange-listed securities due to a systems or technical issue, the Exchange will designate an alternate exchange for such security or securities and the Official Closing Price of each security will be determined on the following hierarchy:
- (A) the Official Closing Price will be the official closing price for such security under the rules of the designated alternate exchange;
- (B) if the designated alternate exchange does not have an official closing price in a security, the Official Closing Price will be the volume-weighted average price ("VWAP") of the consolidated last-sale eligible prices of the last five minutes of trading during Core Trading Hours up to the time that the VWAP is processed, including any closing transactions on an exchange, and taking into account any trade breaks or corrections up to the time the VWAP is processed;
- (C) if the designated alternate exchange does not have an official closing price in a security and there were no consolidated last-sale eligible trades in the last five minutes of trading during Core Trading Hours in such security, the Official Closing Price will be the last consolidated last-sale eligible trade during Core Trading Hours on that trading day;
- (D) if the designated alternate exchange does not have an official closing price in a security and there were no consolidated last-sale eligible trades on a trading day in such security, the Official Closing Price will be the prior day's Official Closing Price; or

(E) if an Official Closing Price for a security cannot be determined under (A), (B), or (C) of this paragraph (2) and there is no prior day's Official Closing Price, the Exchange will not publish an Official Closing Price for such security.

(3) If the Exchange determines after 3:00 p.m. Eastern Time that it is unable to conduct a Closing Auction in one or more Exchange-listed securities due to a systems or technical issue, the Official Closing Price of each such security will be determined on the following hierarchy:

(A) the Official Closing Price will be the VWAP of the consolidated last-sale eligible prices of the last five minutes of trading during Core Trading Hours up to the time that the VWAP is processed, including any closing transactions on an exchange, and taking into account any trade breaks or corrections up to the time the VWAP is processed;

(B) if there were no consolidated last-sale eligible trades in the last five minutes of trading during Core Trading Hours in such security, the Official Closing Price will be the last consolidated last-sale eligible trade during Core Trading Hours on that trading day;

(C) if there were no consolidated last-sale eligible trades in such security on a trading day, the Official Closing Price will be the prior day's Official Closing Price; or

(D) if an Official Closing Price for a security cannot be determined under (A), (B), or (C) of this paragraph (3) and there is no prior day's Official Closing Price, the Exchange will not publish an Official Closing Price for such security.

(4) If the Exchange determines the Official Closing Price under paragraphs (2) or (3) of this Rule, the Exchange will publicly announce the manner by which it will determine its Official Closing Price and the designated alternate exchange, if applicable, and all open interest designated for the Closing Auction residing in the Exchange Book will be deemed cancelled to give ETP Holders the opportunity to route their closing interest to alternate execution venues.

(5) For purposes of Rules 7.31E(a)(1)(B)(i) and 7.35E(a)(8)(A) for UTP Securities only, the Official Closing Price is the official closing price disseminated by the primary listing market for that security via a public data feed on a trading day. If the primary listing market does not disseminate an official closing price on a trading day, the Official Closing Price is the most recent consolidated last sale eligible trade during Core Trading Hours on that trading day. If there were no consolidated last sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price will be the prior trading day's Official Closing Price.

An Official Closing Price may be adjusted to reflect corporate actions or a correction to a closing price, as disseminated by the primary listing market for the security.

(hh) Reserved

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(qq) Reserved

### **Security**

(rr) [Reserved] The terms "security" and "securities" mean any security as defined in Rule 3(a)(10) under the Securities Exchange Act of 1934; provided, however, that for purposes of Rule 7E such terms mean any NMS stock.

### **Self-Regulatory Organization ("SRO")**

(ss) [Reserved] The terms "self-regulatory organization" and "SRO" have the same meaning as set forth in the provisions of the Securities Exchange Act of 1934 relating to national securities exchanges.

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(ww) Reserved

### **Trading Facilities**

(xx) [Reserved] The term "Trading Facilities" or "Facilities" means any and all electronic or automatic trading systems provided by the Exchange to ETP Holders.

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## **Effective National Market System Plan, Regular Trading Hours**

(hhh) For purposes of Rule 7E, the terms “effective national market system plan” and “regular trading hours,” have the meanings set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

## **RULE 2E – [Reserved]EQUITY TRADING PERMITS**

### **Rule 2.1E. Reserved**

### **Rule 2.2E. Qualification of Applicants**

An ETP may be held by an entity that is approved as a member organization.

### **Rule 2.3E. Reserved**

### **Rule 2.4E. Denial of or Conditions to ETPs**

(a) The Exchange may deny (or may condition) trading privileges under an ETP or may bar a natural person from becoming associated (or may condition an association) with an ETP Holder for the same reasons that the Securities and Exchange Commission may deny or revoke a broker or dealer registration and for those reasons required or allowed under the Securities Exchange Act of 1934, as amended.

(b) The Exchange may deny or may condition trading privileges under an ETP, or may prevent a natural person from becoming associated (or may condition an association) with an ETP Holder when the applicant directly or indirectly:

(1) is unable to satisfactorily demonstrate its present capacity to adhere to all applicable Exchange and Securities and Exchange Commission policies, rules and regulations, including, without limitation, those concerning record-keeping, reporting, finance and trading procedures;

(2) has previously violated, and there is a reasonable likelihood such applicant will again engage in acts or practices violative of, any applicable Exchange or Securities and Exchange Commission policies, rules and regulations, including, without limitation, those concerning record-keeping, reporting, finance and trading procedures or those rules of other self-regulatory organizations of which such applicant is or was a member;

(3) has engaged, and there is a reasonable likelihood such applicant will again engage, in acts or practices inconsistent with just and equitable principles of trade;

(4) has a negative net worth, or has financial difficulties involving an amount that is more than 5% of the applicant's net worth;

(5) is subject to any unsatisfied liens, judgments or unsubordinated creditor claims of a material nature, which, in the absence of a reasonable explanation therefor, remain outstanding for more than sixty (60) calendar days (the term "material" means any amount which equals more than 5% of the total assets of the broker-dealer);

(6) owes an undisputed debt to an ETP Holder arising out of the securities business, in which case the Corporation may take such action as it deems appropriate, including, without limitation, denying the application or conditioning the issuance of the ETP upon the execution of an agreement regarding repayment of the debt;

(7) allegedly owes a debt to an ETP Holder arising out of the securities business, in which case the Exchange may take such action as it deems appropriate, including, without limitation, denying the application or conditioning the issuance of the ETP upon the debt being submitted to arbitration pursuant to Rule 12E at the request of the ETP Holder to whom the debt is allegedly owed;

(8) has been itself, or is the successor to an entity which has been subject to any bankruptcy proceeding, receivership or arrangement for the benefit of creditors within the past three years;

(9) has engaged in an established pattern of failure to pay just debts;

(10) does not successfully complete examinations as required by the Exchange to verify the applicant's qualifications to function in capacities covered by the application;

### **Series 7 Requirement**

(A) Traders of ETP Holders for which the Exchange is the Designated Examining Authority ("DEA") must successfully complete the Series 7 Examination. ETP Holders performing the function of a registered Market Maker pursuant to Rule 7.21E(b)(2) are exempt from this requirement.

For purposes of this Rule:

(i) The term "trader" means a person (a) who is directly or indirectly compensated by an ETP Holder, or who is any other associated person of an ETP Holder and (b) who trades, makes trading decisions with respect to, or otherwise engages in the proprietary or agency trading of securities

(B) The requirement to complete the Series 7 Examination will apply to current traders of ETP Holders that meet the criteria of subsection (A), above, as well as to future traders of ETP Holders that meet the criteria of subsection (A), above, at a later date. Traders of ETP Holders that meet the criteria of subsection (A), above, at the time of SEC approval of this Rule, must successfully complete the Series 7 Examination within six months of notification by the Exchange.

(11) does not meet such other standards of training, experience, and competence as may be established by the Exchange;

(12) would bring the Exchange into disrepute; or

(13) for such other cause as the Exchange reasonably may decide.

(c) The Exchange may, at its discretion in exceptional cases where good cause is shown, waive the applicable examination requirement and accept other standards as evidence of an applicant's qualifications for registration. Advanced age or physical infirmity will not individually of themselves constitute sufficient grounds to waive an examination requirement. Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive an examination requirement. In such cases, the Exchange must be satisfied that the candidate is qualified for registration.

Within fifteen calendar days after the Exchange reviews a request for a waiver of the examination requirement, the Exchange shall provide the applicant with a written determination of whether the waiver was granted or denied. If the Exchange denies the request for a waiver, the notice shall include a statement with the reasons for the denial. An applicant whose request for a waiver is denied may appeal the decision of the Exchange in accordance with the terms and conditions of Rule 9522.

(d) The Exchange shall regard the failure by any applicant to carry out any contract or honor any financial commitment with an ETP Holder as a violation of just and equitable principles of trade, and an indication of a broker or dealer applicant's inability to meet such standards of financial responsibility as may be set by the Corporation.

(e) When an applicant is the subject of an investigation conducted by any self-regulatory organization or government agency, the Exchange is under no obligation to act on the application until the matter has been resolved.

(f) The Exchange may take action against an ETP Holder under Rule 9522 when any of the above reasons for denying or conditioning the issuance of an ETP come into existence after an application has been approved and an ETP has been issued.

#### **Rule 2.5E. Reserved**

#### **Requirements of Holding an ETP**

#### **Rule 2.6E. Revocable Privilege**

The issuance of an ETP constitutes only a revocable privilege and confers on its holder no right or interest of any nature to continue as an ETP Holder.

#### **Rule 2.7E. Reserved**

#### **Rule 2.8E. Reserved**

#### **Rule 2.9E. Reserved**

#### **Rule 2.10E. Reserved**

#### **Rule 2.11E. Reserved**

#### **Rule 2.15E. Reserved**

#### **Rule 2.16E. Reserved**

#### **Rule 2.17E. Activity Assessment Fees**

(a) Section 31 of the Securities Exchange Act of 1934 ("Exchange Act"), as amended, requires national securities exchanges and associations to pay to the Securities and

Exchange Commission ("SEC") certain fees and assessments on specified securities transactions. Each ETP Holder that effects securities transactions on the Exchange that are defined in Section 31 of the Exchange Act as "covered sales" of securities shall pay to the Exchange Activity Assessment Fees based upon all of their covered sales. The Exchange shall calculate Activity Assessment Fees by multiplying the aggregate dollar amount of covered sales effected on the Exchange by the ETP Holder during the appropriate computational period by the Section 31(b) fee rate in effect during that computational period. Activity Assessment Fees shall be due and payable at such times and intervals as prescribed by the Exchange. ETP Holders that cease to effect securities transactions on the Exchange shall promptly pay to the Exchange any sum due pursuant to this rule.

(b) Other Charges: In addition to transaction fees and the Securities and Exchange Commission registration fee, the Exchange may from time to time fix and impose other charges or fees to be paid by ETP Holders for the use of equipment or facilities or for services or privileges granted.

(c) To the extent that there may be excess monies collected under paragraph (a) above, the Exchange may retain those monies to help fund its regulatory expenses.

**Rule 2.18E. Reserved**

**Rule 2.19E. Reserved**

**Rule 2.20E. Reserved**

**Rule 2.21E. Employees of ETP Holders Registration**

(a) Each employee of an ETP Holder compensated directly or indirectly for the solicitation or handling of business in securities, including trading in securities for the account of the organization must be registered with the Exchange. In connection with their registration, such individuals shall electronically file a Form U4 with the CRD by appropriately checking the Exchange as a requested registration on the electronic Form U4 filing. Individuals for whom registration is maintained on CRD are required to promptly electronically file any required amendments to Form U4 with the CRD.

(b) In order to satisfy the registration requirement, employees of ETP Holders must satisfy applicable examination requirements as prescribed by the Exchange, complete documentation and pay the related fees. Continuance of any registered employee is at the sole discretion of the Exchange.

(i) For employees of ETP Holders for which the Exchange serves as the Designated Examining Authority, all the requirements of subsection (b) apply;

(ii) For employees of ETP Holders for which the Exchange does not serve as the Designated Examining Authority, such employees shall be deemed registered with

the Exchange if the ETP Holder has recorded registration of such employees with the Exchange in the manner prescribed in paragraph (a) of this Rule;

(iii) For employees of ETP Holders seeking limited registration as Securities Traders, as described below, the Exchange requires the Securities Trader qualification examination ("Series 57").

(c) The Exchange may require each applicant for employment as a registered employee to successfully complete such examinations as the Exchange may prescribe to establish the applicant's qualification for such registration. The Exchange may exempt an individual from the examination requirements if such individual has successfully completed comparable examinations (e.g. Series 7 Examination).

(d) Continuing Education. No ETP Holder shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of this Rule 2.21(d).

(1) *Regulatory Element*—Each registered person shall complete the Regulatory Element of the continuing education program beginning with the occurrence of their second registration anniversary date, and every three years thereafter, or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty (120) days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be consistent with the standards set forth by the Exchange and other self regulatory organizations for each registration category of persons subject to the Rule. A person qualified solely as a Securities Trader shall comply with the continuing education requirements appropriate for the Series 57 by completing the S101 Program. All other registered persons shall comply with the continuing education requirements applicable to their particular registration.

(A) Reserved.

(B) *Failure to Complete*—Any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and shall be prohibited from performing any duties and functioning in any capacity requiring registration.

(C) *Disciplinary Actions*—Unless otherwise determined by the SRO, a registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:



(i) becomes subject to any statutory disqualification as defined in Section (3)(a)(39) of the Securities Exchange Act of 1934;

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with, rule, or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the disciplinary action becoming final, in the case of (ii) or (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

(D) Regulatory Element Notifications—Each ETP Holder shall designate an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository ("Web CRD") regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each ETP Holder must, no less than quarterly, review and, if necessary, update the information regarding its Regulatory Element contact person(s) with Web CRD.

## (2) Firm Element

(A) Persons Subject to the Firm Element—The requirements of this Rule 2.21(d)(2) shall apply to any registered person who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").

## (B) Standards

(i) Each ETP Holder must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each ETP Holder shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the ETP Holder's size, organizational structure, and scope of business activities, as well as regulatory developments

and the performance of covered registered persons in the Regulatory Element. If an ETP Holder's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the ETP Holder's training plan.

(ii) *Minimum Standards for Training Programs*—Programs used to implement an ETP Holder's training plan must be appropriate for the business of the ETP Holder and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the ETP Holder:

(a) General investment features and associated risk factors;

(b) Suitability and sales practice considerations; and

(c) Applicable regulatory requirements.

(iii) *Administration of Continuing Education Program*—Each ETP Holder must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(C) *Participation in the Firm Element*—Covered registered persons included in an ETP Holder's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the ETP Holder.

(D) *Specific Training Requirements*—The Exchange may require an ETP Holder, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas that the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(e) Reserved.

(f) No ETP Holder may employ a Exchange employee during regular Exchange business hours. No ETP Holder may employ a Exchange employee outside regular Exchange employment hours without having obtained the prior written approval of the Exchange and registering the name of the employee, the nature of the services rendered and the amount of related compensation.

(g) Reserved.

(h) Reserved.

(i) An ETP Holder shall promptly file a Uniform Termination Notice for Securities Industry Registration ("Form U-5") electronically with the Central Registration Depository ("CRD"), but not later than 30 calendar days after the date of termination of an employee. Any amendment to a Form U-5 shall also be promptly filed electronically with the CRD, but not later than 30 calendar days after learning of the facts or circumstances giving rise to the amendment. All Forms U-5 shall also be provided to the terminated person concurrently with filing.

(j) Process to Register Employees. To register an employee the employer must file an application on Form U4 and any amendment thereto in the manner prescribed by paragraph (a) of this Rule, as well as complete any relevant application process prescribed by the Exchange.

Commentary:

.01 For purposes of this Rule, the term "registered person" means any ETP Holder, Allied Person thereof, registered representative or other person registered or required to be registered under the Rules of the Exchange.

.02 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, an ETP Holder.

.03 For purposes of this Rule, the term "Securities Trader" means as any person engaged in the purchase or sale of securities or other similar instruments for the account of an ETP Holder with which such person is associated, as an employee or otherwise, and who does not transact any business with the public. A Securities Trader must be registered as such on Web CRD and pass the Series 57 Examination.

A supervisor of a Securities Trader must satisfy its registration requirements under this Commentary .03 by registering and qualifying as a Securities Trader Principal in Web CRD if (a) such supervisor's supervisory responsibilities are limited solely to supervising Securities Traders; (b) such supervisor is qualified to be so registered by passing the General Securities Principal Qualification Examination - Series 24; and (c) such supervisor is registered pursuant to Exchange Rules as a Securities Trader. Such a supervisor shall not be qualified to function in a Principal or supervisory capacity with responsibility over any area of business other than that involving proprietary trading.

.04 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on their initial base date, rather than based on the date of reassociation in a registered capacity. Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety based on the most recent registration date.

.05 Any registration that is deemed inactive for a period of two calendar years pursuant to section (d)(1)(B) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of the Exchange.

#### **Rule 2.22E. Exchange Back-Up Systems and Mandatory Testing**

(a) The Exchange will establish standards for the designation of ETP Holders it reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of the Exchange's business continuity and disaster recovery plans.

(b) An ETP Holder designated pursuant to standards established in paragraph (a) of this Rule will be required to participate in scheduled functional and performance testing of the Exchange's business continuity and disaster recovery plans in the manner and frequency specified by the Exchange, which will not be less than once every 12 months.

(c) Designated Market Makers that have been determined by the Exchange to contribute a meaningful percentage of the Exchange's overall volume, measured on a quarterly or monthly basis, will be required to participate in scheduled functional and performance testing. The Exchange may also consider other factors in determining the ETP Holder that will be required to participate in scheduled functional and performance testing, including average daily volume traded on the Exchange measured on a quarterly or monthly basis, or ETP Holders who collectively account for a certain percentage of market share on the Exchange.

(d) At least three (3) months prior to a scheduled functional and performance testing of the Exchange's business continuity and disaster recovery plans, the Exchange will publish the criteria to be used by the Exchange to determine which ETP Holder will be

required to participate in such testing, and notify those ETP Holders that are required to participate based on such criteria.

(e) ETP Holders not designated pursuant to standards established in paragraph (a) of this Rule are permitted to connect to the Exchange's backup systems and may participate in scheduled functional and performance testing of the Exchange's business continuity and disaster recovery plans.

### **2.23E. Reserved**

### **2.24E. ETP Books and Records**

ETP Holders shall make and retain all the books and records prescribed by the Bylaws and Rules of the Exchange, the rules and regulations of the Securities and Exchange Commission and the constitution, rules and regulations of other regulatory or governmental bodies to which such ETP Holders are subject. Such books and records shall be retained for periods as prescribed and shall be made available for inspection by the Corporation.

If such books and records are prepared or maintained by an outside service bureau, depository, bank, or other recordkeeping service on behalf of the ETP Holder, the ETP Holder shall provide the Exchange with a copy of the written undertaking required to be filed with the Commission under SEC Rule 17a-4(i) for the Exchange's records.

## **RULE 3E – [Reserved] ORGANIZATION AND ADMINISTRATION**

### **Part I – Reserved**

### **Part II – Regulation**

#### **Rule 3.4E. Reserved**

#### **Rule 3.5E. Reserved**

#### **Rule 3.6E. Surveillance Agreements**

The Exchange may enter into agreements with domestic and foreign self-regulatory organizations providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes.

### **Part III – Dues, Fees and Fines**

#### **Rule 3.7E. Reserved**

#### **Rule 3.8E. Reserved**

**Rule 3.9E. Reserved****Rule 3.10E. Reserved****Rule 3.11E. Fingerprint-Based Background Checks of Exchange Employees and Others**

(a) In order to enhance the security of the respective facilities, systems, data, and/or records of the Exchange (collectively, "facilities and records"), the Exchange will obtain fingerprints from, and conduct a fingerprint-based background check of, all prospective and current employees, temporary personnel, independent contractors, and service providers of each of the Exchange and its principal subsidiaries. However, the Exchange may determine not to obtain fingerprints from, or to seek fingerprint-based background information with respect to, a person due to that person's limited, supervised, or restricted access to facilities and records; or the nature or location of his or her work or services. The Exchange will apply this rule in all circumstances where permitted by applicable law.

(b) The Exchange will submit fingerprints obtained pursuant to this rule to the Attorney General of the United States or his or her designee for identification and processing. The Exchange will at all times maintain the security of all fingerprints provided to, and all criminal history record information received from, the Attorney General or his or her designee. The Exchange, however, may provide a subsidiary with access to information from background checks based on fingerprints obtained from that subsidiary. The Exchange shall not disseminate fingerprints or information to the extent prohibited by applicable law.

(c) The Exchange will evaluate information received from the Attorney General or his or her designee and otherwise administer this rule in accordance with Exchange fingerprint procedures as in effect from time to time and the provisions of applicable law. Fingerprint-based background information, such as a felony or serious misdemeanor conviction, will be a factor in making employment decisions; engaging or retaining any temporary personnel, independent contractors, or service providers; or permitting any fingerprinted person access to facilities and records.

**Commentary:**

**.10 Fingerprints and the Issuance of Identification Badges.**—The Exchange intends, with limited exceptions, to obtain fingerprints from, and fingerprint-based background information with respect to, all employees, temporary personnel, independent contractors, and service providers who receive Exchange -issued photo badges or other identification permitting them access to facilities and records for more than one day ("Long-Term Badges"). The Exchange has the capacity electronically to immediately limit or terminate the access to facilities and records that Long-Term Badges permit, and reserves the right to do so. On a case-by-case basis, the Exchange may determine not to obtain fingerprints from a person to whom a Long-Term Badge is issued, based on the

decision of a committee of Exchange officers who oversee application of the rule that there exists an exception to obtaining the fingerprints, as contemplated by the rule.

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## **RULE 6E – [Reserved]BUSINESS CONDUCT**

### **Rule 6.1E. Reserved**

### **Rule 6.2E. Reserved**

### **Rule 6.3E. Prevention of the Misuse of Material, Nonpublic Information**

(a) Every ETP Holder must establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such ETP Holder's business, to prevent the misuse of material, non-public information by such ETP Holder or persons associated with such ETP Holder. ETP Holders for whom the Exchange is the Designated Examining Authority ("DEA") that are required, pursuant to Rule 4.5, to file SEC form X-17A-5 with the Exchange on an annual or more frequent basis must file contemporaneously with the submission for the calendar year end ITSFEA compliance acknowledgements stating that the procedures mandated by this Rule have been established, enforced and maintained. Any ETP Holder or associated person who becomes aware of a possible misuse of material, non-public information must promptly notify the Exchange's regulatory staff.

(b) Any ETP Holder who fails to file a compliance acknowledgment form in a timely manner shall be subject to a late filing charge of \$500.00 for each occurrence. Repeated or aggravated failure to file may be referred to the Enforcement Department for appropriate disciplinary action.

#### Commentary:

.01 For purposes of Rule 6.3E, conduct constituting the misuse of material, non-public information includes, but is not limited to, the following:

- A. Trading in any securities issued by a corporation, or in any related securities or related options or other derivative securities, while in possession of material, non-public information concerning that issuer; or
- B. Trading in a security or related options or other derivative securities, while in possession of material non-public information concerning imminent transactions in the security or related securities; or
- C. Disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction

in an underlying security or related securities for the purpose of facilitating the possible misuse of such material, non-public information.

.02 The terms "associated person" and "person associated with an ETP Holder" mean anyone who directly is engaged in the ETP Holder's trading-related activities, including general partners, officers, directors, managers (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with an ETP Holder or any employee of the ETP Holder.

For the purposes of this Rule, the term "employee" includes every person who is compensated directly or indirectly by the ETP Holder for the solicitation or handling of business in securities, including individuals trading securities for the account of the ETP Holder, whether such securities are dealt in on an exchange or are dealt over-the-counter.

.03 Rule 6.3E provides that, at a minimum, each ETP Holder establish, maintain, and enforce the following policies and procedures:

- A. All associated persons must be advised in writing of the prohibition against the misuse of material, non-public information; and
- B. All associated persons of the ETP Holder must sign attestations affirming their awareness of, and agreement to abide by the aforementioned prohibitions. These signed attestations must be maintained for at least three years, the first two years in an easily accessible place; and
- C. Each ETP Holder must receive and retain copies of trade confirmations and monthly account statements for each account in which an associated person: has a direct or indirect financial interest or makes investment decisions. The activity in such brokerage accounts should be reviewed at least quarterly by the ETP Holder for the purpose of detecting the possible misuse of material, non-public information; and
- D. All associated persons must disclose to the ETP Holder whether they, or any person in whose account they have a direct or indirect financial interest, or make investment decisions, are an officer, director or 10% shareholder in a company whose shares are publicly traded. Any transaction in the stock (or option thereon) of such company shall be reviewed to determine whether the transaction may have involved a misuse of material non-public information.

Maintenance of the foregoing policies and procedures will not, in all cases, satisfy the requirements and intent of Rule 6.3E; the adequacy



of each ETP Holder's policies and procedures will depend upon the nature of such ETP Holder's business.

.04 ETP Holders acting as a registered Market Maker in products listed under NYSE Arca Equities Rules 5E and 8E, and their affiliates, shall also establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of any material nonpublic information with respect to such products, any components of the related products, any physical asset or commodity underlying the product, applicable currencies, underlying indexes, related futures or options on futures, and any related derivative instruments.

**Rule 6.4E. Reserved**

**Rule 6.5E. Reserved**

**Rule 6.6E. Reserved**

**Rule 6.7E. Reserved**

**Rule 6.8E. Reserved**

**Rule 6.9E. Reserved**

**Rule 6.10E. ETP Holders Holding Options**

(a) No ETP Holder shall initiate the purchase or sale through the facilities of the Exchange for his or her own account or for any account in which the ETP Holder or any participant therein is directly or indirectly interested, of any security admitted to dealings through the facilities of the Exchange in which he or she holds or has granted any put, call, straddle or option, or in which he or she has knowledge that the ETP Holder or any participant therein holds or has granted any put, call, straddle or option, unless such put, call, straddle, or option is issued by the Options Clearing Corporation and is immediately reported to the Exchange in accordance with such procedures as may be prescribed by the Exchange.

Commentary:

.01 An ETP Holder who issues a commitment to trade through the facilities of the Exchange or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security through the facilities of the Exchange as referred to in this Rule.

(b) Each ETP Holder shall report to the Exchange such information as may be required with respect to any substantial option relating to securities admitted to dealings through

the facilities of the Exchange in which such ETP Holder or any participant therein is directly or indirectly interested or of which such ETP Holder or any participant therein has knowledge by reason of transactions executed by or through such ETP Holder. The Exchange may disapprove of the connection of any ETP Holder or any participant therein with any such option which it shall determine to be contrary to the best interest or welfare of the Exchange or to be likely to create prices which will not fairly reflect market values.

**Rule 6.11E. Reserved**

**Rule 6.12E. Joint Accounts**

(a) No ETP Holder shall, without the prior approval of the Exchange, initiate the purchase or sale through the facilities of the Exchange of any security admitted to dealings through the facilities of the Exchange for any account in which the ETP Holder or any participant therein is directly or indirectly interested with any person other than such ETP Holder or participant therein.

The provisions of this rule shall not apply to any purchase or sale (1) by any ETP Holder for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions or (2) by a Market Maker for any joint account in which he or she is expressly permitted to have an interest or participation by this Rule.

Commentary:

.01 An ETP Holder who issues a commitment to trade through the facilities of the Exchange, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security through the facilities of the Exchange as referred to in this Rule.

(b) Reporting. No ETP Holder nor any participant therein shall directly or indirectly hold any interest or participation in any substantial joint account for buying or selling any security through the facilities of the Exchange, unless such joint account is reported to and not disapproved by the Exchange. Such reports, in form prescribed by the Exchange, shall be filed with the Exchange before any transaction is completed through the facilities of the Exchange for such joint account.

The Exchange shall require weekly reports, in a form prescribed by the Exchange, to be filed with it with respect to every substantial joint account for buying or selling any specific security on the Exchange and with respect to every joint account which actively trades in any security on the Exchange in which any ETP Holder or participant therein holds any interest or participation or of which such ETP Holder or participant therein has knowledge by reason of transactions executed by or through such ETP Holder or participant therein; provided, however, that this paragraph shall not apply to joint accounts specifically permitted by this Rule.

In the event the requirements hereof should be applicable to a security also dealt in on another national securities exchange having requirements substantially equivalent hereto and an ETP Holder is a member or member firm of such other exchange and complies with such requirements of such other exchange, then such ETP Holder need not comply with the reporting provisions hereof.

**Rule 6.13E. Reserved**

**Rule 6.14E. Reserved**

**Rule 6.15E. Prearranged Trades**

No ETP Holder or any participant therein will participate in a prearranged trade. An offer to sell coupled with an offer to buy back at the same or at an advanced price, or the reverse, is a prearranged trade and is prohibited. This provision applies both to transactions in the unit of trading and in lesser or greater amounts.

**RULE 7E - EQUITIES TRADING**

**Section 1. General Provisions**

**Rule 7.1E. [Reserved]Hours of Business**

(a) Except as may be otherwise determined by the Board of Directors as to particular days, the Exchange shall be open for the transaction of business on every business day. The hours at which trading sessions shall open and close shall be during such hours as may be specified by Exchange rule or established by the Board of Directors.

(b) Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business. No ETP Holder shall make any bid, offer or transaction upon the Floor or through the facilities of the Exchange before or after those hours.

(c) Except as may be otherwise determined by the Board of Directors, the CEO of the Exchange or his or her designee may take any of the following actions:

- (1) halt or suspend trading in some or all securities traded on the Exchange;
- (2) extend the hours for the transaction of business on the Exchange;
- (3) close some or all Exchange facilities;
- (4) determine the duration of any halt, suspension or closing undertaken pursuant to this rule; or
- (5) determine to trade securities on the Exchange's disaster recovery facility.

(d) The CEO or his or her designee shall take any of the actions described in paragraph (c) above only when he or she deems such action to be necessary or appropriate for the maintenance of a fair and orderly market, or the protection of investors or otherwise in the public interest, due to extraordinary circumstances such as (i) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the Exchange, (ii) a request by a governmental agency or official, or (iii) a period of mourning or recognition for a person or event.

(e) The CEO or his or her designee shall notify the Board of Directors of actions taken pursuant to this rule, except for a period of mourning or recognition for a person or event, as soon thereafter as is feasible.

#### **Rule 7.2E. [Reserved]Holidays**

The Exchange will not be open for business on New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

When a holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday and when any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or yearly accounting period.

#### **Rule 7.3E. [Reserved]Commissions**

(a) *Fixed Rates.* Nothing contained in the Rules of the Exchange or its practices shall be construed to require or authorize its ETP Holders or any associated person, to agree or arrange, directly or indirectly, for the charging of fixed rates of commission for transactions effected on, or effected by the use of, the facilities of the Exchange.

(b) *Acting as Broker.* In all transactions in which an ETP Holder acts solely as a broker, the bills and confirmations rendered must so indicate, and all commissions charged, if any, shall be appropriately identified.

(c) *Acting as Principal.* In all transactions in which an ETP Holder acts as principal or in which the ETP Holder or any of its Allied Persons, partners, approved persons or stockholder associates have an interest as principal in any manner, the bills and confirmations rendered must so indicate.

#### **Rule 7.4E. [Reserved]Ex-Dividend or Ex-Right Dates**

Transactions in stocks, traded "regular" shall be "ex-dividend" or "ex-rights" as the case may be, on the second business day preceding the record date fixed by the company or the date of the closing of transfer books, except when the Board of Directors rules

otherwise. Should such record date or such closing of transfer books occur upon a day other than a business day this Rule shall apply for the third preceding business day.

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**Rule 7.7E. [Reserved]Transmission of Bids or Offers**

(a) No ETP Holder having the right to trade through the facilities of the Exchange and who has been a party to or has knowledge of an execution shall be under obligation to divulge the name of the buying or selling firm in any transaction.

(b) Except as otherwise permitted by these Rules, no ETP Holder shall transmit through the facilities of the Exchange any information regarding a bid, offer, other indication of an order, or the ETP Holder's identity, to a non-holder of an ETP or to another ETP Holder until permission to disclose and transmit such bid, offer, other indication of an order, or the ETP Holder's identity has been obtained from the originating ETP Holder or the originating ETP Holder affirmatively elects to disclose its identity.

**Rule 7.8E. [Reserved]Bid or Offer Deemed Regular Way**

Bids and offers will be considered to be "regular way."

**Rule 7.9E. [Reserved]Execution Price Binding**

Notwithstanding Rules 7.10E and 7.11E, the price at which an order is executed shall be binding notwithstanding the fact that an erroneous report in respect thereto may have been rendered.

**Rule 7.10E. [Reserved]Clearly Erroneous Executions**

The provisions of paragraphs (c), (e)(2), (f), and (g) of this Rule, as amended on September 10, 2010, and the provisions of paragraphs (i) through (k), will be in effect during a pilot period to coincide with the pilot period for the Limit Up-Limit Down Plan, including any extensions to the pilot period for the Plan. If the Plan is not either extended or approved as permanent, the prior versions of sections (c), (e)(2), (f), and (g) will be in effect, and the provisions of paragraphs (i) through (k) will be null and void.

(a) *Definition.* For purposes of this Rule, the terms of a transaction executed on the Exchange are "clearly erroneous" when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction made in clearly erroneous error and cancelled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape.

(b) *Request and Timing of Review.* An ETP Holder that receives an execution on an order that was submitted erroneously to the Exchange for its own or customer account may request that the Exchange review the transaction under this Rule. An Officer of the

Exchange or such other employee designee of the Exchange ("Officer") will review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such request for review will be made in writing via e-mail or other electronic means specified from time to time by the Exchange in a circular distributed to ETP Holders.

(i) *Requests for Review.* Requests for review must be received within thirty (30) minutes of execution time and will include information concerning the time of the transaction(s), security symbol(s), number of shares, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the numerical guidelines set forth in Section (c)(1) of this Rule, the counterparty to the trade will be notified by the Exchange as soon as practicable, but generally within 30 minutes. An Officer may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction will provide, within thirty (30) minutes of the request, any supporting written information. Either party to the disputed trade may request the supporting written information provided by the other party on the matter.

(ii) *Routed Executions.* Other market centers will generally have an additional 30 minutes from receipt of their participant's timely filing, but no longer than 60 minutes from the time of the execution at issue, to file with the Exchange for review of transactions routed to the Exchange from that market center and executed on the Exchange.

(c) *Thresholds.* Determinations of a clearly erroneous execution will be made as follows:

(1) *Numerical Guidelines.* Subject to the provisions of paragraph (c)(3) below, a transaction executed during the Core Trading Session or the Early and Late Trading Session will be found to be clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (A) Multi-Stock Events involving twenty or more securities, as described in (c)(2) below; and (B) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

	<u><b>Core Trading Session</b></u>	<u><b>Early and Late</b></u>
	<u><b>Numerical Guidelines</b></u>	<u><b>Trading Session</b></u>
<u><b>Reference Price,</b></u>	<u><b>(Subject transaction's</b></u>	<u><b>Numerical</b></u>
<u><b>Circumstance or</b></u>	<u><b>% difference from the</b></u>	<u><b>Guidelines</b></u>
<u><b>Product:</b></u>	<u><b>Reference Price:</b></u>	<u><b>(Subject</b></u>
		<u><b>transaction's %</b></u>

	<u><b>difference from the Reference Price:</b></u>	
<u>Between \$0.00 and \$25.00</u>	<u>10%</u>	<u>20%</u>
<u>Between \$25.01 and \$50.00</u>	<u>5%</u>	<u>10%</u>
<u>Greater than \$50.00</u>	<u>3%</u>	<u>6%</u>
<u>Multi-Stock Event - Filings involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less</u>	<u>10%</u>	<u>10%</u>
<u>Multi-Stock Event - Filings involving twenty or more securities whose executions occurred within a period of five minutes or less</u>	<u>30%, subject to the terms of paragraph (c)(2) below</u>	<u>30%, subject to the terms of paragraph (c)(2) below</u>
<u>Leveraged ETF/ETN securities</u>	<u>Core Trading Session Numerical Guidelines multiplied by the leverage multiplier (e.g., 2x)</u>	<u>Core Trading Session Numerical Guidelines multiplied by the leverage multiplier (e.g. 2x)</u>

(2) Multi-Stock Events Involving Twenty or More Securities. During Multi-Stock Events involving twenty or more securities the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, the Exchange may use a Reference Price other than consolidated last sale. To ensure consistent application across market centers when this paragraph is invoked, the Exchange will promptly coordinate with the other market centers to determine the appropriate review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. The Exchange will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by the Exchange and other markets consistent with this paragraph.

(3) Additional Factors. Except in the context of a Multi-Stock Event involving five or more securities, an Officer may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an IPO, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, Early and Late Trading Session executions, validity of the consolidated tapes trades and quotes, consideration of primary market indications, and executions inconsistent with the trading pattern in the stock. Each additional factor will be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(d) Outlier Transactions. In the case of an Outlier Transaction, an Officer may at its sole discretion, and on a case-by-case basis, consider requests received pursuant to subsection (b) of this Rule after 30 minutes, but not longer than sixty minutes after the transaction in question, depending on the facts and circumstances surrounding such request.

(1) "Outlier Transaction" means a transaction where:

(A) the execution price of the security is greater than three times the current Numerical Guidelines set forth in Paragraph (c)(1) of this Section, or

(B) the execution price of the security in question is not within the Outlier Transaction parameters set forth in Paragraph (d)(1)(A) of the Section but breaches the 52-week high or 52-week low, the Exchange may consider Additional Factors as outlined in 7.10E(c)(3), in determining if the transaction qualifies for further review or if the Exchange shall decline to act.

(e) Review Procedures.

(1) Determination by Officer. Unless both parties (or party, in the case of a Cross Order) to the disputed transaction agree to withdraw the initial request for review, the transaction under dispute will be reviewed, and a determination will be rendered by the Officer. If the Officer determines that the transaction is not clearly erroneous, the Officer will decline to take any action in connection with the completed trade. In the event that the Officer determines that the transaction in dispute is clearly erroneous, the Officer will declare the transaction null and void. A determination will be made generally within 30 minutes of receipt of the complaint, but in no case later than the start of Core Trading on the following trading day. The parties will be promptly notified of the determination.

(2) Appeals. If an ETP Holder affected by a determination made under this Rule so requests within the time permitted below, the Clearly Erroneous Execution Panel ("CEE Panel") will review decisions made by the Officer under this Rule, including whether a clearly erroneous execution occurred and whether the correct determination was made; provided however that the CEE Panel will not review decisions made by an officer under



subsection (f) of this Rule if such Officer also determines under subsection (f) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that with respect to rulings made in conjunction with one or more additional market centers, the number of the affected transactions is similarly such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest and, hence, are also non-appealable.

(A) The CEE Panel will consist of the Exchange Chief Regulatory Officer ("CRO"), or a designee of the CRO, and representatives from two (2) ETP Holders.

(B) The Exchange will designate at least ten (10) ETP Holder representatives to be called upon to serve on the CEE Panel as needed. In no case will a CEE Panel include a person related to a party to the trade in question. To the extent reasonably possible, the Exchange will call upon the designated representatives to participate on a CEE Panel on an equally frequent basis.

(3) A request for review on appeal must be made via e-mail within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed. The CEE Panel will review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received between 3:00 p.m. Eastern Time and the close of trading in the Late Trading Session, a decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution under review.

(4) The CEE Panel may overturn or modify an action taken by the Officer under this Rule. All determinations by the CEE Panel will constitute final action by the Exchange on the matter at issue.

(5) If the CEE Panel votes to uphold the decision made pursuant to Rule 7.10E(e)(1), the Exchange will assess a \$500.00 fee against the ETP Holder(s) who initiated the request for appeal.

(6) Any determination by an Officer or by the CEE Panel will be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(f) *System Disruption or Malfunctions.* In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of the Exchange in which the nullification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the Officer, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period null and void. In such events, the Officer of the Exchange or such other senior level employee designee will rely on the provisions of Section (c)(1)-(3) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair

and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Officer pursuant to this subsection (f) will be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer must be taken by no later than the start of Core Trading on the day following the date of execution(s) under review. Each ETP Holder involved in the transaction will be notified as soon as practicable, and the ETP Holder aggrieved by the action may appeal such action in accordance with the provisions of subsection (e)(2)-(4).

(g) *Officer Acting On Own Motion.* An Officer, acting on its own motion, may review potentially erroneous executions and declare trades null and void or will decline to take any action in connection with the completed trade(s). In such events, the Officer of the Exchange or such other senior level employee designee will rely on the provisions of Section (c)(1)-(3) of this Rule. Absent extraordinary circumstances, any such action of the Officer will be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer must be taken by no later than the start of Core Trading on trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction will be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of subsection (e)(2)-(4) above.

(h) *Trade Nullification for UTP Securities that are Subject of Initial Public Offerings ("IPOs").* Pursuant to SEC Rule 12f-2, as amended, the Exchange may extend unlisted trading privileges to a security that is the subject of an initial public offering when at least one transaction in the subject security has been effected on the national securities exchange or association upon which the security is listed and the transaction has been reported pursuant to an effective transaction reporting plan. A clearly erroneous error may be deemed to have occurred in the opening transaction of the subject security if the execution price of the opening transaction on the Exchange is the lesser of \$1.00 or 10% away from the opening price on the listing exchange or association. In such circumstances, the Officer will declare the opening transaction null and void or will decline to take action in connection with the completed trade(s). Clearly erroneous executions of subsequent transactions of the subject security will be reviewed in the same manner as the procedure set forth in (e)(1). Absent extraordinary circumstances, any such action of the Officer pursuant to this subsection (h) will be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer must be taken by no later than the start of Core Trading on the day following the date of execution(s) under review. Each party involved in the transaction will be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of subsection (e)(2)-(4) above.

(i) *Securities Subject to Limit Up-Limit Down Plan.* For purposes of this paragraph, the phrase "Limit Up-Limit Down Plan" or "Plan" means the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The

provisions of paragraphs (a) through (h) above and (j) through (k) below will govern all Exchange transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (i). If as a result of an Exchange technology or systems issue any transaction occurs outside of the applicable price bands disseminated pursuant to the Plan, an Officer of the Exchange or senior level employee designee, acting on his or her own motion or at the request of a third party, will review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Officer of the Exchange or other senior level employee designee will be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of the Exchange or other senior level employee designee must be taken by no later than the start of the Core Trading Hours on the trading day following the date on which the execution(s) under review occurred. Each ETP Holder involved in the transaction will be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (h) above and (j) through (k) below.

(j) *Multi-Day Event*. A series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the "Event"). An Officer, acting on his or her own motion, will take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, an Officer will take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security. To the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each ETP Holder involved in a transaction subject to this paragraph will be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

(k) *Trading Halts*. In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer, acting on his or her own motion, will nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such

security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer will nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph will be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of Core Trading Hours on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each ETP Holder involved in a transaction subject to this paragraph will be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

**Rule 7.11E. [Reserved] Limit Up—Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility**

The provisions of this Rule shall be in effect during a pilot to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility.

**(a) Limit Up-Limit Down Mechanism.**

**(1) Definitions**

(A) "Plan" means the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934, Exhibit A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012), as it may be amended from time to time.

(B) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan or Exchange rules, as applicable.

**(2) Exchange Participation in the Plan.** The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes procedures to address extraordinary volatility in NMS Stocks.

**(3) ETP Holder Compliance.** ETP Holders will comply with the applicable provisions of the Plan.

**(4) Exchange Compliance with the Plan.** Exchange systems will not display or trade buy (sell) interest above (below) the Upper (Lower) Price Bands, unless such interest is specifically exempted under the Plan.

**(5) Repricing and Cancellation of Orders.** Exchange systems will reprice or cancel buy (sell) orders that are priced or could be traded above (below) the Upper (Lower) Price Band.

- (A) Incoming Market Orders, Limit Orders designated IOC, and Day ISOs will be traded, or if applicable, routed to an Away Market, to the fullest extent possible, subject to Rule 7.31E(a)(1)(B) (Trading Collars for Market Orders) and 7.31E(a)(2)(B) (price check for Limit Orders) at prices at or within the Price Bands.
- (i) Any quantity of such orders that cannot be traded or routed at prices at or within the Price Bands will be cancelled and the ETP Holder will be notified of the reason for the cancellation.
- (ii) If Price Bands move and the working price of a resting Market Order or Day ISO to buy (sell) is above (below) the updated Upper (Lower) Price Band, such orders will be cancelled.
- (B) Incoming Limit Orders will be traded, or if applicable, routed to an Away Market, to the fullest extent possible, subject to Rule 7.31E(a)(2)(B) (price check for Limit Orders) at prices at or within the Price Bands.
- (i) Unless the ETP Holder has entered an instruction to cancel any quantity of a Limit Order that cannot be traded or routed at prices at or within the Price Bands, such order will be assigned a working price, and if applicable, display price, at the Upper (Lower) Price Band, consistent with the terms of the order.
- (ii) The repricing of Limit Orders will be applicable to both incoming and resting orders. If the Price Bands move and the limit price of a repriced order is at or within the Price Band, such Limit Order will be adjusted to its limit price.
- (iii) Primary Until 9:45 Orders and Primary After 3:55 Orders will be priced under paragraph (a)(5)(B) of this Rule only when such orders are entered on or resting on the Exchange Book.
- (C) **Sell Short Orders.** If a Limit Order does not include a cancel instruction and is also a sell short order, during a Short Sale Price Test, as set forth in Rule 7.16E(f), such short sale order priced below the Lower Price Band will be repriced to the higher of the Lower Price Band or the Permitted Price, as defined in Rule 7.16E(f)(5)(A). Sell short orders that are not eligible to be repriced will be treated as the order types specified in (a)(5)(A) above.
- (D) Incoming Q Orders to buy (sell) with a limit price above (below) the Upper (Lower) Price Band will be rejected. If Price Bands move and the limit price of a resting Q Order to buy (sell) is above (below) the updated Upper (Lower) Price Band, the Q Order will be cancelled.

(E) Limit IOC Cross Orders with a cross price above (below) the Upper (Lower) Price Band will be rejected.

(F) If the midpoint of the PBBO is above (below) the Upper (Lower) Price Band, an MPL Order to buy (sell) will not be repriced or rejected and will not be eligible to trade unless the ETP Holder enters an instruction to cancel or reject such MPL Order.

(6) **Routing to Away Markets.** Exchange systems will not route buy (sell) orders to an Away Market displaying a sell (buy) quote that is above (below) the Upper (Lower) Price Band, provided that the Exchange will route Primary Only Orders, Primary Until 9:45, and Primary After 3:55 Orders to the primary listing market regardless of price.

(7) **Trading Pause during a Straddle State.** The Exchange may declare a Trading Pause for a NMS Stock listed on the Exchange when (i) the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State; and (ii) trading in that NMS Stock deviates from normal trading characteristics.

(8) After the Exchange opens or reopens an Exchange-listed security but before receiving Price Bands from the SIP under the Plan, the Exchange will calculate Price Bands based on the first Reference Price provided to the SIP and if such Price Bands are not in the MPV for the security, such Price Bands will be rounded to the nearest price at the applicable MPV.

(b) **Re-opening of Trading following a Trading Pause.** At the end of the Trading Pause, the Exchange will re-open the security in accordance with the procedures set forth in Rule 7.35E for a Trading Halt Auction. In the event of a significant imbalance at the end of a Trading Pause, the Exchange may delay the re-opening of a security. The Exchange will issue a notification if it cannot resume trading for a reason other than a significant imbalance. Any interest repriced pursuant to paragraph (a)(5) of this Rule will return to its original order instructions for purposes of the re-opening transaction following a Trading Pause.

(1) If a primary listing market issues an individual stock trading pause, the Exchange will pause trading in that security until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen the security within 10 minutes of notification of a Trading Pause, the Exchange may resume trading the security.

## **Rule 7.12E. Trading Halts Due to Extraordinary Market Volatility**

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(c) Re-opening of Trading

- (i) The re-opening of trading following a Level 1 or 2 trading halt shall follow the procedures set forth in Rule 7.35E(e)[123D – Equities].

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**Rule 7.13E. [Reserved]Trading Suspensions**

The Chair of the Board or the CEO, or the officer designee of the Chair or the CEO, shall have the power to suspend trading in any and all securities traded on the Exchange whenever in his or her opinion such suspension would be in the public interest. No such action shall continue longer than a period of two days, or as soon thereafter as a quorum of Directors can be assembled, unless the Board approves the continuation of such suspension.

**Rule 7.14E. [Reserved]Clearance and Settlement**

(a) Each ETP Holder shall either:

- (1) be a clearing firm;
- (2) clear transactions on the Exchange through a clearing firm; or
- (3) clear transactions through an entity duly authorized by the Exchange.

(b) An ETP Holder must give up the name of the clearing firm through which each transaction on the Exchange will be cleared. If there is a subsequent change in identity of the clearing firm through which the transaction on the Exchange will be cleared, the ETP Holder shall report such change to the Exchange at least five (5) business days in advance.

(c) Each clearing firm must be admitted to the Exchange as an ETP Holder by meeting the qualification requirements set forth in Rule 2 - Equities; provided, however, if the clearing firm has become an ETP Holder for the sole purpose of acting as a clearing firm on the Exchange, such clearing firm need not pay the regular ETP Holder fee. The clearing firm shall be responsible for the clearance of the transactions effected by each ETP Holder which gives up such clearing firm's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such clearing firm to such ETP Holder, which authorization shall be submitted to the Exchange.

(d) Notwithstanding any other provisions contained in the Rule to the contrary, the Board may extend or postpone the time of the delivery of a transaction on the Exchange whenever in its opinion, such action is called for by the public interest, by just and equitable principles of trade or by the need to meet unusual conditions. In such case,

delivery shall be effected at such time, place and manner as directed by the Board of Directors.

**Rule 7.15E. [Reserved]Stock Option Transactions**

(a) No Market Maker nor his or her firm, nor any participant therein, shall, directly or indirectly, be interested in a pool dealing or trading in any security in which he or she is registered as a Market Maker.

(b) No Market Maker, nor his or her firm, nor any participant therein shall acquire, hold or grant, directly or indirectly, any interest in any option to buy or to sell or to receive or to deliver shares of any security in which he or she is registered as a Market Maker, unless such option is issued by the Options Clearing Corporation and is immediately reported to the Exchange in accordance with such procedures as may be prescribed by the Exchange.

**Rule 7.16E. [Reserved]Short Sales**

(a) The terms "long", "short", and "short exempt" will have the meaning given to each by Regulation SHO, 17 CFR 240.200 et seq.

(b) Order Identification. No ETP Holder of the Exchange may, by the use of any facility of the Exchange, execute any sell order unless such order is indicated as either "long", "short", or "short exempt".

(c) Marking Orders. An ETP Holder must mark all sell orders as "long", "short", or "short exempt". Sales should be marked "short", "short exempt", and "long" in accordance with SEC Rule 200(g).

(d) Covering Short Sales. No ETP Holder of the Exchange will lend, or arrange for the loan of any security for delivery to the broker for the purchaser after sale, or will fail to deliver a security on the date delivery is due, if such ETP Holder knows or has reasonable grounds to believe that the sale was effected, or will be effected, pursuant to an order marked "long" unless such ETP Holder knows, or has been informed by the seller (i) that the security sold has been forwarded to the account for which the sale was effected, or (ii) that the seller owns the security sold, that it is then impracticable to deliver such security to such account and that delivery will be made as soon as is possible without undue inconvenience or expense. The provisions of this subsection (d) will not apply to:

(1) The lending of a security by an ETP Holder through the medium of a loan to another ETP Holder; or



(2) Any loan, or arrangement for the loan, of any security, or any failure to deliver any security if, prior to such loan, arrangement, or failure to deliver, the Exchange finds (A) that such sale resulted from a mistake made in good faith; (B) either that the condition of the market at the time the mistake was discovered was such that undue hardship would result from covering the transaction by a "purchase for cash" or that the mistake was made by the seller's broker; and (C) that due diligence was used to ascertain that either (i) the security to be delivered after sale is carried in the account for which the sale was effected, or (ii) such ETP Holder had been informed that the seller owns the security being sold, and as soon as possible without undue inconvenience or expense, will deliver the security owned to the account for which the sale was effected.

(e) **General.** Short sale executions, order marking and securities lending in connection with short sales by ETP Holders will be subject to, and comply with, the provisions of Regulation SHO under the Securities Exchange Act of 1934.

(f) **Short Sale Price Test Pursuant to Rule 201 of Regulation SHO.** The following provisions will apply to short sales subject to the provisions of Rule 201 of Regulation SHO:

(1) **Definitions.** For purposes of this Rule, the terms "covered security," "listing market," and "national best bid" ("NBB") will have the same meaning as such terms have in Rule 201 of Regulation SHO.

(2) **Short Sale Price Test.** Except as provided in subparagraphs (f)(6) and (f)(7) below, Exchange systems will not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current NBB if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the Official Closing Price on the Exchange as of the end of regular trading hours on the prior day ("Trigger Price").

(3) **Determination of Trigger Price.** For covered securities for which the Exchange is the listing market, Exchange systems will determine whether the short sale price test restrictions of Rule 201 of Regulation SHO have been triggered (i.e., whether a transaction in a covered security has occurred at a Trigger Price) and will immediately notify the single plan processor responsible for consolidation of information for the covered security pursuant to Rule 603(b) of Regulation NMS.

(A) The Exchange will not calculate the Trigger Price of a covered security until after the Core Open Auction for that security.

(4) **Duration of Short Sale Price Test.** If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test will remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the "Short Sale Period").

(A) If the Exchange determines pursuant to Rule 7.10E that the Short Sale Price Test for a covered security was triggered because of a clearly erroneous execution, the Exchange may lift the Short Sale Price Test before the Short Sale Period ends for securities for which the Exchange is the listing market or, for securities listed on another market, notify the other market of the Exchange's determination that the triggering transaction was a clearly erroneous execution. The Exchange may also lift the Short Sale Price Test before the Short Sale Period ends, for a covered security for which the Exchange is the listing market, if the Exchange has been informed by another exchange or a self-regulatory organization ("SRO") that a transaction in the covered security that occurred at the Trigger Price was a clearly erroneous execution, as determined by the rules of that exchange or SRO.

(B) If the Exchange determines that the prior day's closing price for a listed security is incorrect in Exchange systems and resulted in an incorrect determination of the Trigger Price, the Exchange may correct the prior day's closing price and lift the Short Sale Price Test before the Short Sale Period ends for securities for which the Exchange is the listing market.

(5) **Re-pricing of Orders during Short Sale Period.** During the Short Sale Period, short sale orders will be handled by Exchange systems as follows:

(A) **Re-pricing of Orders** —Except as provided for in paragraphs (f)(5)(B) - (J) of this Rule, short sale orders with a working price and/or display price equal to or lower than the NBB will have the working price and/or display price adjusted one minimum price increment above the current NBB ("Permitted Price"). The Permitted Price for securities for which the NBB is \$1 or more is \$.01 above the NBB; the Permitted Price for securities for which the NBB is below \$1 is \$.0001 above the NBB. To reflect declines in the NBB, the Exchange will continue to adjust the working price of a short sale order at the lowest Permitted Price down to the order's original limit price, or if a Market Order, until the order is filled.

(B) **Priority 1 and Priority 3 Orders** —Market Orders and orders and reserve interest ranked Priority 3- Non-Display Orders will have a working price adjusted to a Permitted Price and will continuously adjust to a Permitted Price as the NBB moves both up and down. Reserve interest that replenishes the displayed quantity of a Reserve Order will be replenished at a Permitted Price.

(C) **Pegged Orders and MPL Orders** —Pegged Orders and MPL Orders, including orders marked buy, sell long and sell short exempt, will use the NBBO instead of the PBBO as the reference price. The working price of MPL Orders will be the mid-point of the NBBO, including situations where the mid-point is less than one minimum price increment above the NBB.

(D) **Tracking Orders** —The working price of Tracking Orders will not be adjusted. Tracking Orders will not be eligible to trade at or below the NBB.

(E) **IOC Orders** —Limit Orders designated IOC requiring that all or part of the order be traded immediately will be traded to the extent possible at a Permitted Price and higher and then cancelled, and the working price will not be adjusted.

(F) **ISO** —ISOs will be rejected if the limit price is at or below the NBB.

(G) **Cross Orders** —Cross Orders with a cross price at or below the NBB will be rejected.

(H) **Returned Orders** —If a Short Sale Price Test is triggered after an order has routed, any returned quantity of the order and the order it joins on the Exchange Book will be adjusted to a Permitted Price. If the order that was routed was a Reserve Order, the returned quantity of the order will first join the reserve interest at a Permitted Price before being evaluated for replenishing the display quantity of the Reserve Order.

(I) **Proactive if Locked/Crossed Modifier** —Proactive if Locked/Crossed Modifiers will be ignored.

(6) **Execution of Permissible Orders during the Short Sale Period.** During the Short Sale Period, a short sale order will be executed and displayed without regard to price if, at the time of initial display of the short sale order, the order was at a price above the then current NBB. Except as specifically noted in subparagraph (f)(5), short sale orders that are entered into the Exchange prior to the Short Sale Period but are not displayed, including the reserve interest of a Reserve Order, will be adjusted to a Permitted Price.

(7) **Short Exempt Orders.** During the Short Sale Period, Exchange systems will execute and display orders marked "short exempt" without regard to whether the order is at a Permitted Price. Exchange systems will accept orders marked "short exempt" at any time when such systems are open for order entry, regardless of whether the Short Sale Price Test has been triggered.

#### **Rule 7.17E. [Reserved]Firm Orders and Quotes**

(a) **Orders at Stated Prices and Sizes.** No ETP Holder shall submit to the Exchange an order (including Q Orders) to buy from or sell to any person any security at a stated price and/or size unless such ETP Holder is prepared to, and, upon submission of an appropriate contra-side order, does, purchase or sell, as the case may be, at such price and/or size and under such conditions as are stated at the time of submission of such order to buy or sell.

(b) **Firm Quotes.** Firm Quotes. All bids made and all offers made shall be in accordance with the provisions of Rule 602 of Regulation NMS, governing the dissemination of quotations for reported securities.

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### Section 3. Exchange Trading

#### Rule 7.29E. [Reserved]Access

(a) General. The Exchange will be available for entry and execution of orders by ETP Holders with authorized access. To obtain authorized access to the Exchange, each ETP Holder must enter into a User Agreement.

#### Rule 7.30E. [Reserved]Authorized Traders

(a) An ETP Holder shall maintain a list of ATs who may obtain access to the Exchange on behalf of the ETP Holder. The ETP Holder shall update the list of ATs as necessary. ETP Holders must provide the list of ATs to the Exchange upon request.

(b) An ETP Holder must have reasonable procedures to ensure that all ATs comply with the trading Rules and procedures related to Exchange and all other Rules of the Exchange.

(c) An ETP Holder must suspend or withdraw a person's status as an AT if the Exchange has determined that the person has caused the ETP Holder to fail to comply with the Rules of the Exchange and the Exchange has directed the ETP Holder to suspend or withdraw the person's status as an AT.

(d) An ETP Holder must have reasonable procedures to ensure that the ATs maintain the physical security of the equipment for accessing the facilities of the Exchange to prevent the improper use or access to the systems, including unauthorized entry of information into the systems.

#### Rule 7.31E. [Reserved]Orders and Modifiers

##### (a) Primary Order Types

(1) Market Order. An unpriced order to buy or sell a stated amount of a security that is to be traded at the best price obtainable without trading through the NBBO. A Market Order must be designated Day and will be rejected on arrival or cancelled if resting if there is no contra-side NBBO. Unexecuted Market Orders are ranked Priority 1 - Market Orders.

(A) On arrival, a Market Order to buy (sell) is assigned a working price of the NBO (NBB) and will trade with all sell (buy) orders on the Exchange Book priced at or below (above) the NBO (NBB) before routing to the NBO (NBB) on an Away Market. The quantity of a Market Order to buy (sell) not traded or routed will remain undisplayed on the Exchange Book at a working price of the NBO (NBB) and be eligible to trade with incoming sell (buy) orders at that price. When the

updated NBO (NBB) is displayed, the Market Order to buy (sell) will be assigned a new working price of the updated NBO (NBB) and will trade with all sell (buy) orders on the Exchange Book priced at or below (above) the updated NBO (NBB) before routing to the updated NBO (NBB) on an Away Market. Such assessment will continue at each new contra-side NBBO until the order is filled or a Trading Collar is reached. If the NBBO becomes locked or crossed while the order is held undisplayed, the Market Order to buy (sell) will be assigned a working price of the NBB (NBO).

(B) Trading Collar. During Core Trading Hours, a Market Order to buy (sell) will not trade or route to an Away Market at a price at or above (below) the Trading Collar. Trading Collars will not apply to Limit Orders.

(i) Calculation of the Trading Collar. The Trading Collar will be based on a price that is a specified percentage away from the consolidated last sale price and it will be continuously updated based on market activity. The specified percentage is equal to the corresponding "numerical guideline" percentage set forth in Rule 7.10E(c)(1) (Clearly Erroneous Executions) for the Core Trading Session. The upper boundary of the Trading Collar is the consolidated last sale price increased by the specified percentage truncated to the MPV for the security, and the lower boundary is the consolidated last sale price decreased by the specified percentage truncated to the MPV for the security. A halt, suspension, or pause in trading will zero out the Trading Collar values, and the Trading Collar will be recalculated with the first consolidated last sale after trading resumes. If there is no consolidated last sale price on the same trading day, the Exchange will use the last Official Closing Price for the security.

(ii) If a Trading Collar is triggered, the unexecuted quantity of a Market Order to buy (sell) will be held undisplayed and assigned a working price one MPV below (above) the Trading Collar. The Market Order to buy (sell) will be available to trade with incoming orders to sell (buy) at that working price but will not trade with interest on the Exchange Book or route until (i) additional opportunities to trade consistent with the Trading Collar restriction become available, either on the Exchange or an Away Market, or (ii) a new Trading Collar is calculated and the remaining quantity of the order(s) is then able to trade or route at prices consistent with the new Trading Collar and NBBO.

(2) Limit Order. An order to buy or sell a stated amount of a security at a specified price or better. Unless otherwise specified, the working price and the display price of a Limit Order equal the limit price of the order, it is eligible to be routed, and it is ranked Priority 2 - Display Orders.

(A) A marketable Limit Order to buy (sell) will trade with all sell (buy) orders on the Exchange Book priced at or below (above) the PBO (PBB) before routing to the PBO (PBB) and may route to prices higher (lower) than the PBO (PBB) only after trading with orders to sell (buy) on the Exchange Book at each price point.

Once no longer marketable, the Limit Order will be ranked and displayed on the Exchange Book.

(B) Limit Order Price Protection. A Limit Order to buy (sell) will be rejected if it is priced at or above (below) a specified percentage away from the NBO (NBB). The specified percentage is equal to the corresponding "numerical guideline" percentage set forth in paragraph (c)(1) of Rule 7.10E (Clearly Erroneous Executions) for the Core Trading Session. The Limit Order Price Protection will not be applied to an incoming Limit Order to buy (sell) if there is no NBO (NBB). Limit Order Price Protection will be applied when an order is eligible to trade. A Limit Order entered before the Core Trading Session that is designated for the Core Trading Session only will become subject to Limit Order Price Protection after the Core Open Auction. Limit Order Price Protection for both buy and sell orders that are not in the minimum price variation ("MPV") for the security, as defined in Rule 7.6E, will be rounded down to the nearest price at the applicable MPV.

(C) If a BB (BO) that is locked or crossed by an Away Market PBO (PBB) is cancelled, executed or routed and the next best-priced resting Limit Order(s) on the Exchange Book that would become the new BB (BO) would have a display price that would lock or cross the PBO (PBB), such Limit Order(s) to buy (sell) will be assigned a display price one MPV below (above) the PBO (PBB) and a working price equal to the PBO (PBB). When the PBO (PBB) is updated, the Limit Order(s) to buy (sell) will be repriced consistent with the original terms of the order. If a Day ISO to buy (sell) arrives before the PBO (PBB) is updated and would result in at least a round lot being displayed as a new BB (BO), such repriced Limit Order(s) to buy (sell) will be repriced to the lower (higher) of the display price of the Day ISO or the original price of the Limit Order(s). If the arriving Day ISO to buy (sell) would not result in at least a round lot being displayed, the Day ISO will be assigned a display price one MPV below (above) the PBO (PBB) and a working price equal to the PBO (PBB).

(3) Inside Limit Order. A Limit Order that is to be traded at the best price obtainable without trading through the NBBO.

(A) On arrival, a marketable Inside Limit Order to buy (sell) is assigned a working price of the NBO (NBB) and will trade with all sell (buy) orders on the Exchange Book priced at or below (above) the NBO (NBB) before routing to the NBO (NBB) on an Away Market. Once the NBO (NBB) is exhausted, the Inside Limit Order to buy (sell) will be displayed at its working price and be eligible to trade with incoming sell (buy) orders at that price. When the updated NBO (NBB) is displayed, the Inside Limit Order to buy (sell) will be assigned a new working price of the updated NBO (NBB) and will trade with all sell (buy) orders on the Exchange Book priced at or below the updated NBO (NBB) before routing to the updated NBO (NBB) on an Away Market. Such assessment will continue at each new NBO (NBB) until the order is filled, no longer marketable, or the limit price

is reached. Once the order is no longer marketable, it will be ranked and displayed in the Exchange Book.

(B) An Inside Limit Order designated as a Primary Until 9:45 Order or a Primary After 3:55 Order will follow the order processing of an Inside Limit Order only when the order is on the Exchange Book.

(C) An Inside Limit Order may not be designated as a Limit IOC Order but may be designated as a Limit Routable IOC Order. An Inside Limit Order to buy (sell) designated as a Limit Routable IOC Order will trade with sell (buy) orders on the Exchange Book priced at or below (above) the NBO (NBB) and the quantity not traded will be routed to the NBO (NBB). Any unfilled quantity not traded on the Exchange or an Away Market will be cancelled.

(b) Time in Force Modifiers

(1) Day Modifier. Any order to buy or sell designated Day, if not traded, will expire at the end of the designated session on the day on which it was entered. A Day Modifier cannot be combined with any other Time in Force Modifier.

(2) Immediate-or-Cancel ("IOC") Modifier. A Limit Order may be designated IOC or Routable IOC, as described in paragraphs (A) and (B) of this paragraph (b)(2). The IOC Modifier will override any posting or routing instructions of orders that include the IOC Modifier. A Limit Order designated IOC is not eligible to participate in any auctions.

(A) Limit IOC Order. A Limit Order designated IOC is to be traded in whole or in part on the Exchange as soon as such order is received, and the quantity not so traded is cancelled. A Limit IOC Order does not route. A Limit IOC Order to buy (sell) may be designated with a minimum trade size ("MTS"), which will trade against sell (buy) orders in the Exchange Book that in the aggregate, meets its MTS. On entry, a Limit IOC Order with an MTS must have a minimum of one round lot and will be rejected on arrival if the MTS is larger than the size of the Limit IOC Order. A Limit IOC Order with an MTS that cannot be immediately traded at its minimum size will be cancelled in its entirety.

(B) Limit Routable IOC Order. A Limit Order designated Routable IOC is to be traded in whole or in part on the Exchange as soon as such order is received, and the quantity not so traded routed to Away Market(s). Any quantity not immediately traded either on the Exchange or an Away Market will be cancelled. A Limit Routable IOC Order may not be designated with an MTS.

(c) Auction-Only Order. A Limit or Market Order that is to be traded only within an auction pursuant to Rule 7.35E or routed pursuant to Rule 7.34E. Any quantity of an Auction-Only Order that is not traded in the designated auction will be cancelled.

- (1) A Limit-on-Open Order ("LOO Order"). A LOO Order is a Limit Order that is to be traded only during the Core Open Auction or a Trading Halt Auction. LOO Orders intended for a Trading Halt Auction will be accepted only during trading halts, which may occur in any trading session.
- (2) A Market-on-Open Order ("MOO Order"). A MOO Order is a Market Order that is to be traded only during the Core Open Auction or a Trading Halt Auction. MOO Orders intended for a Trading Halt Auction will be accepted only during trading halts that occur during the Core Trading Session.
- (3) Limit-on-Close Order ("LOC Order"). A LOC Order is a Limit Order that is to be traded only during the Closing Auction.
- (4) Market-on-Close Order ("MOC Order"). A MOC Order is a Market Order that is to be traded only during the Closing Auction.
- (d) Orders with a Conditional or Undisplayed Price and/or Size
  - (1) Reserve Order. A Limit or Inside Limit Order with a quantity of the size displayed and with a reserve quantity of the size ("reserve interest") that is not displayed. The displayed quantity of a Reserve Order is ranked Priority 2 - Display Orders and the reserve interest is ranked Priority 3 - Non-Display Orders. Both the display quantity and the reserve interest of an arriving marketable Reserve Order are eligible to trade with resting interest in the Exchange Book or route to Away Markets.
    - (A) On entry, the display quantity of a Reserve Order must be entered in round lots. The displayed portion of a Reserve Order will be replenished following any execution. The Exchange will display the full size of the Reserve Order when the unfilled quantity is less than the minimum display size for the order.
    - (B) Each time a Reserve Order is replenished from reserve interest, a new working time is assigned to the replenished quantity of the Reserve Order, while the reserve interest retains the working time of original order entry.
    - (C) A Reserve Order must be designated Day and may be combined with the following orders only: MKT Only Order or Primary Pegged Order.
  - (2) Limit Non-Displayed Order. A Limit Order that is not displayed and does not route. A Limit Non-Displayed Order is ranked Priority 3 - Non-Display Orders. A Limit Non-Displayed Order must be designated Day, is valid for any trading session, and does not participate in any auctions.
    - (A) The working price of a Limit Non-Displayed Order will be adjusted both on arrival and when resting on the Exchange Book based on the limit price of the order. If the limit price of a Limit Non-Display Order to buy (sell) is at or below (above) the PBO (PBB), it will have a working price equal to the limit price. If



the limit price of a Limit Non-Displayed Order to buy (sell) is above (below) the PBO (PBB), it will have a working price equal to the PBO (PBB).

(B) A Limit Non-Displayed Order may be designated with a Non-Display Remove Modifier. If so designated, a Limit Non-Displayed Order to buy (sell) will trade as the liquidity-taking order with an incoming ALO Order to sell (buy) that has a working price equal to the working price of the Limit Non-Displayed Order.

(3) Mid-Point Liquidity Order ("MPL Order"). A Limit Order that is not displayed and does not route, with a working price at the midpoint of the PBBO. An MPL Order is ranked Priority 3- Non-Display Orders. MPL Orders are valid for any session and do not participate in any auctions.

(A) An MPL Order to buy (sell) must be designated with a limit price in the MPV for the security and is eligible to trade only if the midpoint of the PBBO is at or below (above) the limit price of the order.

(B) If there is no PBB, PBO, or the PBBO is locked or crossed, both an arriving and resting MPL Order will wait for a PBBO that is not locked or crossed before being eligible to trade. If a resting MPL Order(s) to buy (sell) trades with MPL Order(s) to sell (buy) after there is an unlocked or uncrossed PBBO, the MPL Order with the later working time will be the liquidity-removing order.

(C) On arrival, an MPL Order to buy (sell) that is eligible to trade will trade with resting orders to sell (buy) with a working price at or below (above) the midpoint of the PBBO. Resting MPL Orders to buy (sell) will trade at the midpoint of the PBBO against all incoming orders to sell (buy) priced at or below (above) the midpoint of the PBBO. An incoming Limit Order may be designated with a "No Midpoint Execution" modifier, in which case the incoming Limit Order will not trade with resting MPL Orders and may trade through MPL Orders.

(D) An MPL Order may be designated with an MTS of a minimum of one round lot and will be rejected on arrival if the MTS is larger than the size of the MPL Order. On arrival, an MPL Order to buy (sell) with an MTS will trade with sell (buy) orders in the Exchange Book that in the aggregate, meets its MTS. If the sell (buy) orders do not meet the MTS, the MPL Order to buy (sell) will not trade on arrival and will be ranked in the Exchange Book. Once resting, an MPL Order to buy (sell) with an MTS will trade with an order to sell (buy) that meets the MTS and is priced at or below (above) the midpoint of the PBBO. If an order does not meet an MPL Order's MTS, the order will not trade with and may trade through such MPL Order. If an MPL Order with an MTS is traded in part or reduced in size and the remaining quantity of the order is less than the MTS, the MPL Order will be cancelled.

(E) An MPL Order may be designated IOC ("MPL-IOC Order"). Subject to such IOC instructions, an MPL-IOC Order will follow the same trading and priority

rules as an MPL Order, except that an MPL-IOC Order will be rejected if (i) the order entry size is less than one round lot, or (ii) there is no PBBO or the PBBO is locked or crossed. An MPL-IOC Order cannot be designated ALO or with a Non-Display Remove Modifier.

(F) An MPL Order may be designated with an ALO Modifier ("MPL-ALO Order"). On arrival, an MPL-ALO Order to buy (sell) will trade with resting orders to sell (buy) with a working price below (above) the midpoint of the PBBO, but will not trade with resting orders to sell (buy) priced at the midpoint of the PBBO. A resting MPL-ALO Order to buy (sell) will trade with an arriving order to sell (buy) that is eligible to trade at the midpoint of the PBBO.

(G) MPL Orders designated Day and MPL-ALO Orders may be designated with a Non-Display Remove Modifier. On arrival, an MPL Order or MPL-ALO Order to buy (sell) with a Non-Display Remove Modifier will trade with resting MPL Orders to sell (buy) priced at the midpoint of the PBBO and be the liquidity taker, regardless of whether the resting order to sell (buy) also has a Non-Display Remove Modifier. A resting MPL Order or MPL-ALO Order with a Non-Display Remove Modifier will be the liquidity taker when trading with arriving MPL Orders, including MPL-ALO Orders, that do not include a Non-Display Remove Modifier.

(4) Tracking Order. An order to buy (sell) with a limit price that is not displayed, does not route, must be entered in round lots and designated Day, and will trade only with an order to sell (buy) that is eligible to route. The working price of a Tracking Order to buy (sell) is the PBB (PBO), provided that such price is at or below (above) the limit price of the Tracking Order, it is ranked Priority 4- Tracking Orders, and it may trade in odd lot or mixed lot quantities. A Tracking Order is not eligible to trade if the PBBO is locked or crossed.

(A) A Tracking Order to buy (sell) does not trade on arrival and is triggered to trade by an order to sell (buy) that (i) has exhausted all other interest eligible to trade at the Exchange, (ii) has a remaining quantity equal to or less than the size of a resting Tracking Order, and (iii) would otherwise route to an Away Market. A Tracking Order will trade with the entire unexecuted quantity of the contra-side order, not just the quantity being routed.

(B) Each time a Tracking Order is traded in part, any remaining quantity of the Tracking Order will be assigned a new working time. A Tracking Order with a later working time will trade ahead of a Tracking Order with an earlier working time that does not meet the size requirement of an incoming order.

(C) A Tracking Order may be designated with an MTS of one round lot or more. If an incoming order cannot meet the MTS, a Tracking Order with a later working time will trade ahead of the Tracking Order designated with an MTS with an earlier working time. If a Tracking Order with an MTS is traded in part or

reduced in size and the remaining quantity is less than the MTS, the Tracking Order will be cancelled.

(e) Orders with Instructions Not to Route

(1) MKT Only Order. A Limit Order that does not route.

(A) An MKT Only Order to buy (sell) that, at the time of entry and after trading with any sell (buy) orders in the Exchange Book priced at or below (above) the PBO (PBB), would create a violation of Rule 610(d) of Regulation NMS by locking or crossing the protected quotation of an Away Market or would cause a violation of Rule 611 of Regulation NMS, will be priced as follows:

(i) It will have a working price of the PBO (PBB) of an Away Market and a display price one MPV below (above) that PBO (PBB).

(ii) If the PBO (PBB) of an Away Market re-prices higher (lower), it will be assigned a new working price of the updated PBO (PBB) and a new display price of one MPV below (above) that updated PBO (PBB).

(iii) If the PBO (PBB) of an Away Market re-prices to be equal to or lower (higher) than its last display price, its display price will not change, but the working price will be adjusted to be equal to its display price.

(iv) If its limit price no longer locks or crosses the PBO (PBB) of an Away Market, it will be assigned a working price and display price equal to its limit price and will not be assigned a new working price or display price based on changes to the PBO (PBB).

(B) An MKT Only Order with a working price different from the display price is ranked Priority 3-Non-Display Orders and an MKT Only Order with a working price equal to the display price is ranked Priority 2-Display Orders.

(C) An MKT Only Order may be designated with a Non-Display Remove Modifier. If so designated, an MKT Only Order to buy (sell) with a working price, but not display price, equal to the working price of an ALO Order to sell (buy) will trade as the liquidity taker against such ALO Order.

(2) ALO Order. An MKT Only Order that, except as specified below, will not remove liquidity from the Exchange Book. Upon entry, an ALO Order must have a minimum of one displayed round lot.

(A) ALO Orders may participate in auctions, but the ALO designation will be ignored. An ALO Order that has not traded in an auction will be assigned a working price and display price pursuant to paragraph (e)(2)(B) of this Rule.

(B) An ALO Order to buy (sell) that, at the time of entry, is marketable against an order of any size to sell (buy) on the Exchange Book or would lock or cross a protected quotation in violation of Rule 610(d) of Regulation NMS, will be priced or trade, or both as follows:

(i) If there are no displayed or non-displayed orders to sell (buy) on the Exchange Book priced equal to or below (above) the PBO (PBB), the ALO Order to buy (sell) will have a working price equal to the PBO (PBB) and a display price one MPV below (above) the PBO (PBB).

(ii) If the limit price of the ALO Order to buy (sell) crosses the working price of any displayed or non-displayed order on the Exchange Book priced equal to or below (above) the PBO (PBB), it will trade as the liquidity taker with such order(s). Any untraded quantity of the ALO Order will have a working price equal to the PBO (PBB) and a display price one MPV below (above) the PBO (PBB).

(iii) If the limit price of the ALO Order to buy (sell) locks the display price of any order ranked Priority 2 - Display Orders on the Exchange Book priced equal to or below (above) the PBO (PBB), it will be assigned a working price and display price one MPV below (above) the price of the displayed order on the Exchange Book.

(iv) If the limit price of the ALO Order to buy (sell) locks the working price of any order ranked Priority 3 - Non-Display Orders on the Exchange Book priced equal to or below (above) the PBO (PBB), it will be assigned a working price equal to the PBO (PBB) and a display price one MPV below (above) the PBO (PBB), provided that,

(a) if there are any displayed orders at the working price of an order to sell (buy) ranked Priority 3 - Non-Display Orders, the ALO Order to buy (sell) will be priced under paragraph (e)(2)(B)(iii) of this Rule; and

(b) if the resting order(s) is a Limit Non-Displayed Order or MKT Only Order to sell (buy) that has been designated with a Non-Display Remove Modifier, the ALO Order will trade with such order(s) as the liquidity provider. Unless a resting order is designated with a Non-Display Remove Modifier, an ALO Order will trade only with arriving interest.

(v) An ALO Order to buy (sell) will not be assigned a working price or display price above (below) the limit price of such order.

(C) Once resting on the Exchange Book, ALO Orders will be re-priced or trade, or both, as follows:

(i) If the order(s) to sell (buy) ranked Priority 2 - Display Orders or PBO (PBB) re-prices higher (lower), an ALO Order to buy (sell) will trade or be priced, or both, consistent with paragraphs (e)(2)(B)(i) - (iv) of this Rule.

(ii) If the PBO (PBB) re-prices lower (higher) to be equal to or lower (higher) than its last display price or if its limit price no longer locks or crosses the PBO (PBB), an ALO Order to buy (sell) will be priced pursuant to paragraphs (e)(1)(A)(iii) and (iv) of this Rule.

(D) An ALO Order will not trigger a contra-side MPL Order to trade.

(3) Intermarket Sweep Order ("ISO"). A Limit Order that does not route and meets the requirements of Rule 600(b)(30) of Regulation NMS.

(A) An ISO may trade through a protected bid or offer, and will not be rejected or cancelled if it would lock, cross, or be marketable against an Away Market provided that it meets the following requirements:

(i) It is identified as an ISO in the manner prescribed by the Exchange; and

(ii) Simultaneously with the routing of an ISO to the Exchange, the ETP Holder routes one or more additional Limit Orders, as necessary, to trade against the full displayed size of any protected bids (for sell orders) or protected offers (for buy orders) on Away Markets. These additional routed orders must be identified as ISO.

(B) An ISO designated IOC ("IOC ISO") will be immediately traded with contraside interest in the Exchange Book up to its full size and limit price and the quantity not so traded will be immediately and automatically cancelled. An IOC ISO may not be designated with an MTS.

(C) An ISO designated Day ("Day ISO"), if marketable on arrival, will be immediately traded with contra-side interest in the Exchange Book up to its full size and limit price. Any untraded quantity of a Day ISO will be displayed at its limit price and may lock or cross a protected quotation that was displayed at the time of arrival of the Day ISO.

(D) A Day ISO may be designated with an ALO Modifier ("Day ISO ALO") and must be entered with a minimum of one displayed round lot. An arriving Day ISO ALO to buy (sell) may trade through or lock or cross a protected quotation that was displayed at the time of arrival of the Day ISO ALO, and will be priced or trade, or both, as follows:

(i) If the limit price of the Day ISO ALO to buy (sell) crosses the working price of any displayed or non-displayed order on the Exchange Book, it will trade as the liquidity taker with such order(s). Any untraded quantity of the Day ISO ALO will have a working price and display price equal to its limit price.

(ii) If the limit price of the Day ISO ALO to buy (sell) locks the display price of any order ranked Priority 2 - Display Orders on the Exchange Book, it will be

assigned a working price and display price one MPV below (above) the price of the displayed order on the Exchange Book.

(iii) If the limit price of the Day ISO ALO Order to buy (sell) locks the working price of any order ranked Priority 3 - Non-Display Orders on the Exchange Book, it will be assigned a working price and display price equal to the limit price of the order, provided that,

(a) if there are any displayed orders at the working price of an order to sell (buy) ranked Priority 3 - Non-Display Orders, the Day ISO ALO to buy (sell) will be priced under paragraph (e)(3)(D)(ii) of this Rule; and

(b) if the resting order(s) is a Limit Non-Displayed Order or MKT Only Order to sell (buy) that has been designated with a Non-Display Remove Modifier, the Day ISO ALO will trade with such order(s) as the liquidity provider.

(iv) After being displayed, a Day ISO ALO will be re-priced and re-displayed or trade, or both, based on changes to orders ranked Priority 2 - Display Orders or the PBO (PBB) consistent with paragraphs (e)(2)(C)(i) and (ii) of this Rule.

(f) Orders with Specific Routing Instructions

(1) Primary Only Order. A Market or Limit Order that on arrival is routed directly to the primary listing market without being assigned a working time or interacting with interest on the Exchange Book. A Primary Only Order must be designated for the Core Trading Session. The primary listing market will validate whether the order is eligible to be accepted by that market and if the primary listing market rejects the order, the order will be cancelled. A Primary Only Order instruction on a security listed on the Exchange will be ignored.

(A) Primary Only MOO/LOO Order. A Primary Only Order designated for participation in the primary listing market's opening or re-opening process as a MOO or LOO Order.

(B) Primary Only Day/IOC Order. A Primary Only Order designated Day or IOC, but not ISO. A Primary Only Day Order may be designated as a Reserve Order. A Primary Only Day/IOC Order will be routed to an Away Market as a nonroutable order, and will remain at the Away Market until executed or cancelled. A Primary Only Day/IOC Order in NYSE and NYSE Arca-listed securities may include an instruction to be routed to NYSE or NYSE Arca as a routable order, in which case such order would remain at the NYSE or NYSE Arca until executed, routed away, or cancelled.

(C) Primary Only MOC/LOC Order. A Primary Only Order designated for participation in the primary listing market's closing process as a MOC or LOC Order.

(2) Primary Until 9:45 Order. A Limit or Inside Limit Order that, on arrival and until 9:45 a.m. Eastern Time, routes to the primary listing market. After 9:45 a.m. Eastern Time, the order is cancelled on the primary listing market and entered on the Exchange Book. The Primary Until 9:45 Order must be designated Day. Orders that return to the Exchange Book after routing to the primary listing market will retain their original order attributes and be assigned a working time based on when the order is returned from the primary listing market and entered on the Exchange Book. A Primary Until 9:45 Order can be combined with a Primary After 3:55 Order.

(3) Primary After 3:55 Order. A Limit or Inside Limit Order entered on the Exchange until 3:55 p.m. Eastern Time after which time the order is cancelled on the Exchange and routed to the primary listing market. The Primary After 3:55 Order must be designated Day. Orders that route to the primary listing market at 3:55 pm Eastern Time will retain their original order attributes.

(g) Cross Orders. Two-sided orders with instructions to match the identified buy-side with the identified sell-side at a specified price (the "cross price"). A Cross Order is not eligible to participate in any auctions.

(1) Limit IOC Cross Order. A Cross Order that must trade in full at its cross price, will not route, and will cancel at the time of order entry if the cross price is not between the BBO or would trade through the PBBO.

(h) Pegged Orders. A Limit Order that does not route with a working price that is pegged to a dynamic reference price. If the designated reference price is higher (lower) than the limit price of a Pegged Order to buy (sell), the working price will be the limit price of the order.

(1) Market Pegged Order. A Pegged Order to buy (sell) with a working price that is pegged to the PBO (PBB). A Market Pegged Order to buy (sell) will be rejected on arrival, or cancelled when resting, if there is no PBO (PBB) against which to peg. Market Pegged Orders will not participate in any auctions.

(A) Market Pegged Orders are not displayed and are ranked Priority 3 - Non- Display Orders.

(B) If the PBBO is locked or crossed, both an arriving and resting Market Pegged Order will wait for a PBBO that is not locked or crossed before the working price is adjusted and the order becomes eligible to trade.

(C) A Market Pegged Order to buy (sell) may include an offset value that will set the working price below (above) the PBO (PBB) by the specified offset, which may be specified up to two decimals.

(2) Primary Pegged Order. A Pegged Order to buy (sell) with a working price that is pegged to the PBB (PBO), with no offset allowed. A Primary Pegged Order to buy (sell) will be rejected on arrival, or cancelled when resting, if there is no PBB (PBO) against which to peg. A Primary Pegged Order is eligible to participate in auctions at the limit price of the order.

(A) A Primary Pegged Order must include a minimum of one round lot displayed. The working price of a Primary Pegged Order equals the display price and the display quantity is ranked Priority 2 - Display Orders and the reserve interest is ranked Priority 3 - Non-Display Orders.

(B) A Primary Pegged Order will be rejected if the PBBO is locked or crossed. If after arrival, the PBBO becomes locked or crossed, the Primary Pegged Order will wait for a PBBO that is not locked or crossed before the working price is adjusted, but remains eligible to trade at its current working price.

(3) Discretionary Pegged Order. A Pegged Order to buy (sell) that upon entry to the Exchange is assigned a working price equal to the lower (higher) of the midpoint of the PBBO ("Midpoint Price") or the limit price of the order. Any untraded shares of such order are assigned a working price equal to the lower (higher) of PBB (PBO) or the order's limit price and is automatically adjusted in response to changes to the PBB (PBO) for buy (sell) orders up (down) to the order's limit price. In order to trade with contra-side orders on the Exchange Book, a Discretionary Pegged Order to buy (sell) will exercise the least amount of price discretion necessary from its working price to its discretionary price (defined as the lower (higher) of the Midpoint Price or the Discretionary Pegged Order's limit price), except during periods of quote instability, as defined in paragraph (h)(3)(D) below.

(A) Discretionary Pegged Orders are not displayed, must be designated Day, and are eligible to be designated for the Core Trading Session only. Discretionary Pegged Orders that include a designation for the Early Trading Session or Late Trading Session will be rejected.

(B) When exercising discretion, Discretionary Pegged Orders maintain their time priority at their working price as Priority 3 - Non-Display Orders and are prioritized behind Priority 3 - Non-Display Orders with a working price equal to the discretionary price of a Discretionary Pegged Order at the time of execution. If multiple Discretionary Pegged Orders are exercising price discretion during the same book processing action, they maintain their relative time priority at the discretionary price.

(C) A Discretionary Pegged Order is eligible to exercise price discretion to its discretionary price, except during periods of quote instability, as specified in paragraph (h)(3)(D) below.



(i) If the Exchange determines the PBB for a particular security to be an unstable quote in accordance with paragraph (h)(3)(D), it will restrict buy Discretionary Pegged Orders in that security from exercising price discretion to trade against interest above the PBB.

(ii) If the Exchange determines the PBO for a particular security to be an unstable quote in accordance with paragraph (h)(3)(D), it will restrict sell Discretionary Pegged Orders in that security from exercising price discretion to trade against interest below the PBO.

(D) Quote Stability. The Exchange utilizes real-time relative quoting activity of protected quotations and a mathematical calculation (the "quote instability calculation") to assess the probability of an imminent change to the current PBB to a lower price or PBO to a higher price for a particular security ("quote instability factor"). When the quoting activity meets predefined criteria and the quote instability factor calculated is greater than the Exchange's defined threshold ("quote instability threshold"), the Exchange treats the quote as not stable ("quote instability" or a "crumbling quote"). During all other times, the quote is considered stable ("quote stability"). The Exchange independently assesses the stability of the PBB and PBO for each security.

(i) Crumbling Quote. When the Exchange determines a quote, either the PBB or the PBO, is unstable, the determination remains in effect at that price level for ten (10) milliseconds. The Exchange will only treat one side of the PBBO as unstable in a particular security at any given time. Quote instability or a crumbling quote is determined by the Exchange when following factors occur:

(A) the PBB and PBO are the same as the PBB and PBO one (1) millisecond ago; and

(B) the PBBO spread is less than or equal to the thirty (30) day median PBBO spread during the Core Trading Session; and

(C) there are more protected quotations on the far side, i.e. more protected quotations on the PBO than the PBB for buy orders, or more protected quotations on the PBB than the PBO for sell orders; and

(D) the quote instability factor result from the quote stability calculation is greater than the defined quote instability threshold.

(1) Quote Instability Factor. The quote stability calculation used to determine the current quote instability factor is defined by the following formula that utilizes the quote stability coefficients and quote stability variables defined below:  $1 / (1 + e^{-(C0 + C1 * N + C2 * F + C3 * N-1 + C4 * F-1)})$

(a) Quote Stability Coefficients. The Exchange utilizes the values below for the quote stability coefficients.

(i)  $C0 = -2.39515$

(ii)  $C1 = -0.76504$

(iii)  $C2 = 0.07599$

(iv)  $C3 = 0.38374$

(v)  $C4 = 0.14466$

(b) Quote Stability Variables. The Exchange utilizes the quote stability variables defined below to calculate the current quote instability factor.

(i)  $N$  = the number of protected quotations on the near side of the market, i.e. PBB for buy orders and PBO for sell orders.

(ii)  $F$  = the number of protected quotations on the far side of the market, i.e. PBO for buy orders and PBB for sell orders.

(iii)  $N-1$  = the number of protected quotations on the near side of the market one (1) millisecond ago.

(iv)  $F-1$  = the number of protected quotations on the far side of the market one (1) millisecond ago.

(2) Quote Instability Threshold. The Exchange utilizes a quote instability threshold of 0.32.

(3) The Exchange reserves the right to modify the quote instability coefficients or quote instability threshold at any time, subject to a filing of a proposed rule change with the SEC.

(E) If the PBBO is locked or crossed, both an arriving and resting Discretionary Pegged Order will wait for a PBBO that is not locked or crossed before the working price is adjusted and the order becomes eligible to trade.

(i) Additional Order Instructions and Modifiers:

(1) Proactive if Locked/Crossed Modifier. A Limit Order or Inside Limit Order that is displayed and eligible to route and designated with a Proactive if Locked/Crossed Modifier will route to an Away Market if the Away Market locks or crosses the display price of the order. If any quantity of the routed order is returned unexecuted, the order will be displayed in the Exchange Book.

(2) Self Trade Prevention Modifier ("STP"). Any incoming order to buy (sell) designated with an STP modifier will be prevented from trading with a resting order to sell (buy) also designated with an STP modifier and from the same MPID. The STP modifier on the incoming order controls the interaction between two orders marked with STP modifiers. Orders marked with an STP modifier will not be prevented from interacting during any auction.

(A) STP Cancel Newest ("STPN"). An incoming order to buy (sell) marked with the STPN modifier will not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same MPID. The incoming order marked with the STPN modifier will be cancelled back to the originating ETP Holder. The resting order marked with one of the STP modifiers will remain on the Exchange Book.

(B) STP Cancel Oldest ("STPO"). An incoming order to buy (sell) marked with the STPO modifier will not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same MPID. The resting order marked with the STP modifier will be cancelled back to the originating ETP Holder. The incoming order marked with the STPO modifier will remain on the Exchange Book.

(C) STP Decrement and Cancel ("STPD"). An incoming order to buy (sell) marked with the STPD modifier will not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same MPID. If both orders are equivalent in size, both orders will be cancelled back to the originating ETP Holder. If the orders are not equivalent in size, the equivalent size will be cancelled back to the originating ETP Holder and the larger order will be decremented by the size of the smaller order with the balance remaining on the Exchange Book.

(D) STP Cancel Both ("STPC"). An incoming order to buy (sell) marked with the STPC modifier will not trade with resting interest to sell (buy) marked with any of the STP modifiers from the same MPID. The entire size of both orders will be cancelled back to originating ETP Holder.

(j) Q Order. A Limit Order submitted to the Exchange by a Market Maker, and designated by a Market Maker as a "Q Order" through such means as the Exchange will specify. Q Orders entered by ETP Holders that are not registered in that security as a market maker will be rejected.

(1) A Q Order must have a minimum of one round lot displayed on entry, must be designated Day, and does not route. A Q Order to buy (sell) will be rejected if: (i) it has limit price at or above (below) the PBO (PBB); or (ii) it is designated as an MKT Only Order, ALO Order, or ISO.

(2) Market Makers must enter Q Orders in securities in which they are registered in accordance with Rule 7.23E, beginning at the start of the Core Trading Session and continuing until the end of the Core Trading Session. Market Makers are not obligated to but may enter Q Orders in securities in which they are registered during

the Early and Late Trading Sessions. Nothing in this Rule will be construed to relieve a Market Maker of any of its obligations pursuant to Rule 7.23E.

Commentary:

.01 Order Type and Modifier Combinations. ETP Holders may combine order types and modifiers, unless the terms of the proposed combination are inconsistent.

**Rule 7.32E. [Reserved]Order Entry**

Orders entered that are greater than five million shares in size will be rejected. Upon at least 24 hours advance notice to market participants, the Exchange may decrease the maximum order size on a security-by-security basis.

**Rule 7.33E. [Reserved]Capacity Codes**

Consistent with Rules of the Exchange, ETP Holders shall input accurate information into the Exchange, including, but not limited to, whether the ETP Holder is acting in a principal, agency, or riskless principal capacity for each order entered. Proprietary orders are subject to the same display and execution processes as agency orders.

**Rule 7.34E. [Reserved]Trading Sessions**

(a) Sessions. The Exchange will have three trading sessions each day it is open for business unless otherwise determined by the Exchange:

(1) Early Trading Session. The Early Trading Session will begin at 7:00 a.m. Eastern Time and conclude at the commencement of the Core Trading Session. The Exchange will begin accepting orders 30 minutes before the Early Trading Session begins. The Early Open Auction will begin the Early Trading Session.

(2) Core Trading Session. The Core Trading Session will begin for each security at 9:30 a.m. Eastern Time and end at the conclusion of Core Trading Hours or the Core Closing Auction, whichever comes later. The Core Open Auction will begin the Core Trading Session.

(3) Late Trading Session. The Late Trading Session will begin following the conclusion of the Core Trading Session and conclude at 8:00 p.m. Eastern Time.

(b) Order Designation.

(1) Any order entered into the Exchange must include a designation for which trading session(s) the order will remain in effect and orders entered without a trading session designation will be rejected. An order is eligible to participate in the designated trading session(s) only and may remain in effect for one or more

consecutive trading sessions on a particular day. Unless otherwise specified, an order designated for a later trading session will be accepted but not eligible to trade until the designated trading session begins. An order designated solely for a trading session that has already ended will be rejected.

(c) Orders Permitted in Each Session.

(1) Early Trading Session. Unless otherwise specified in paragraphs (c)(1)(A) - (E), orders and modifiers defined in Rule 7.31E that are designated for the Early Trading Session are eligible to participate in the Early Trading Session.

(A) Market Orders and Pegged Orders are not eligible to participate in the Early Trading Session. Market Orders and Pegged Orders that include a designation for the Early Trading Session will be rejected. Market Pegged Orders, regardless of the session designated for the order, may not be entered before or during the Early Trading Session and will be rejected.

(B) Limit Orders designated IOC and Cross Orders are not eligible to participate in the Early Open Auction and will be rejected if entered before the Early Open Auction concludes.

(C) Limit Orders designated IOC and Cross Orders entered before or during the Early Trading Session and designated for the Core Trading Session will be rejected if entered before the Auction Processing Period for the Core Open Auction.

(D) For securities that are not eligible for an auction on the Exchange, Market Orders designated for the Core Trading Session and Auction-Only Orders will be routed to the primary listing market on arrival. Any order routed directly to the primary listing market on arrival will be cancelled if that market is not accepting orders.

(E) MOO Orders, MOC Orders, LOC Orders, and Primary Only Orders designated for the Early Trading Session will be rejected.

(2) Core Trading Session. Unless otherwise specified in paragraphs (c)(2)(A) - (B), all orders and modifiers defined in Rules 7.31E that are designated for the Core Trading Session are eligible to participate in the Core Trading Session.

(A) Market Orders in securities that are not eligible for the Core Open Auction will be routed to the primary listing market until the first opening print of any size on the primary listing market or 10:00 a.m. Eastern Time, whichever is earlier.

(B) Auction-Only Orders in securities that are not eligible for an auction on the Exchange will be accepted and routed directly to the primary listing market.

(C) Limit Orders designated IOC and Cross Orders entered before or during the Core Trading Session and designated for the Late Trading Session will be rejected if entered before the Auction Processing Period for the Closing Auction.

(3) Late Trading Session. Unless otherwise specified in paragraph (c)(3)(A) - (C), the orders and modifiers defined in Rule 7.31E that are designated for the Late Trading Session are eligible to participate in the Late Trading Session:

(A) Market Orders and Pegged Orders are not eligible to participate in the Late Trading Session. Market Orders and Pegged Orders that include a designation for the Late Trading Session will be rejected.

(B) Orders that are routed directly to the primary listing market on arrival will be cancelled if that market is not accepting orders.

(C) MOO Orders, MOC Orders, LOC Orders, and Primary Only Orders designated for the Late Trading Session will be rejected.

(d) Customer Disclosures. No ETP Holder may accept an order from a non-ETP Holder for execution in the Early or Late Trading Session without disclosing to such non-ETP Holder that:

(1) Limit Orders are the only orders that are eligible for execution during the Early and Late Trading Sessions;

(2) An order must be designated specifically for trading in the Early and/or Late Trading Session to be eligible for trading in the Early and/or Late Trading Session; and

(3) Extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk. The absence of an updated underlying index value or intraday indicative value is an additional trading risk in extended hours for Exchange Traded Products.

The disclosures required pursuant to this subparagraph (d)(3) may take the following form or such other form as provides substantially similar information:

(1) Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

- (2) Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.
- (3) Risk of Changing Prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.
- (4) Risk of Unlinked Markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.
- (5) Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- (6) Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.
- (7) Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV"). For certain Derivative Securities Products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the Early and Late Trading Sessions, an investor who is unable to calculate implied values for certain Exchange Traded Products in those sessions may be at a disadvantage to market professionals.

(e) Trades on the Exchange executed and reported outside of the Core Trading Session are designated as .T trades.

**Rule 7.35E. [Reserved]Auctions**

(a) For purposes of this Rule, unless otherwise specified, the term "Market Orders" includes MOO Orders (for the Core Open Auction and Trading Halt Auction) and MOC Orders (for the Closing Auction). The following are definitions for purposes of this Rule:

(1) "Auction-Eligible Security" means:

(A) For the Early Open Auction, Core Open Auction, and Closing Auction, all securities for which the Exchange is the primary listing market and UTP Securities designated by the Exchange.

(B) For a Trading Halt Auction, securities for which the Exchange is the primary listing market.

(2) "Auction Processing Period" means the period during which the applicable auction is being processed.

(3) "Auction Imbalance Freeze" means the period that begins before the scheduled time for the Early Open Auction, Core Open Auction, or Closing Auction, as specified in paragraphs (b), (c), and (d) of this Rule, and that ends once the Auction Processing Period begins.

(4) "Auction Imbalance Information" means the information that is disseminated by the Exchange for an auction and includes, if applicable, the Total Imbalance, Market Imbalance, Indicative Match Price, and Matched Volume.

(A) Auction Imbalance Information is updated at least every second, unless there is no change to the information.

(B) Order entry eligibility during an Auction Imbalance Freeze is based on the most recently-updated Auction Imbalance Information.

(C) The Exchange disseminates Auction Imbalance Information via a proprietary data feed during the times specified in this Rule.

(5) "Auction NBBO" means an NBBO that is used for purposes of pricing an auction. An NBBO is an Auction NBBO when (i) there is an NBB above zero and NBO for the security and (ii) the NBBO is not crossed. In addition, for the Core Open Auction, an NBBO is an Auction NBBO when the midpoint of the NBBO when multiplied by a designated percentage, is greater than or equal to the spread of that NBBO. The designated percentage will be determined by the Exchange from time to time upon prior notice to ETP Holders.

(6) "Auction Ranking" means how orders on the side of an Imbalance are ranked for allocation in an auction. Such orders will be ranked in price-time priority under Rule 7.36E(c) - (g) consistent with the priority ranking associated with each order, provided that:



(A) Limit Orders, LOO Orders, and LOC Orders will be ranked based on their limit price and not the price at which they would participate in the auction;

(B) MOO Orders and MOC Orders will be ranked Priority 1 - Market Orders;

(C) LOO Orders and LOC Orders will be ranked Priority 2 - Display Orders; and

(D) Orders on the side of the Imbalance are not guaranteed to participate in an auction.

(7) "Imbalance" means the number of buy (sell) shares that cannot be matched with sell (buy) shares at the Indicative Match Price at any given time and unless otherwise specified, includes the non-displayed quantity of Reserve Orders eligible to participate in the applicable auction.

(A) "Total Imbalance" means the net Imbalance of all buy (sell) shares at the Indicative Match Price for all orders that are eligible to trade in the applicable auction.

(B) "Market Imbalance" means the imbalance of any remaining buy (sell) Market Orders that are not matched for trading in the applicable auction.

(8) "Indicative Match Price" means the best price at which the maximum volume of shares, including the non-displayed quantity of Reserve Orders, is tradable in the applicable auction, subject to the Auction Collars.

(A) If there are two or more prices at which the maximum volume of shares is tradable, the Indicative Match Price will be the price closest to the Auction Reference Price, specified below, provided that the Indicative Match Price will not be lower (higher) than the price of an order to buy (sell) ranked Priority 2 - Display Orders that was eligible to participate in the applicable auction.

<u><b>Auction</b></u>	<u><b>Auction Reference Price</b></u>
<u>Early Open Auction</u>	<u>Prior trading day's Official Closing Price</u>
	<u>The midpoint of the Auction NBBO or, if the Auction NBBO is locked, the locked price. If there is no Auction NBBO, the prior trading day's Official Closing Price</u>
<u>Core Open Auction</u>	<u>Last consolidated round-lot price of that trading day and, if none, the prior trading day's Official Closing Price</u>
<u>Closing Auction</u>	<u>Price</u>
<u>Trading Halt Auction</u>	<u>Last consolidated round-lot price of</u>

that trading day and, if none, the prior trading day's Official Closing Price

Zero, unless the Exchange is provided with a price for the security

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(B) If there are two prices at which the maximum volume of shares is tradable and both prices are equidistant to the Auction Reference Price, the Indicative Match Price will be the Auction Reference Price.

(C) If the Matched Volume for an auction consists of buy and sell Market Orders only, the Indicative Match Price will be:

(i) For the Core Open Auction, the Auction Reference Price;

(ii) For the Closing Auction, the midpoint of the Auction NBBO as of the time the auction is conducted, provided that if the Auction NBBO is locked, it will be the locked price, and if there is no Auction NBBO, it will be the Auction Reference Price.

(iii) For the Trading Halt Auction, the Auction Reference Price.

(D) If there is a BBO, but no Matched Volume, the Indicative Match Price and Total Imbalance for the Auction Imbalance Information will be:

(i) The side of the BBO that has the higher volume; or

(ii) If the volume of the BB equals the volume of the BO, the BB.

(E) If there is no Matched Volume and Market Orders on only one side of the market, the Indicative Match Price for the Auction Imbalance Information will be zero.

(F) Unless the Indicative Match Price is based on the midpoint of an Auction NBBO, if the Indicative Match Price is not in the MPV for the security, it will be rounded to the nearest price at the applicable MPV.

(9) "Matched Volume" means the number of buy and sell shares that can be matched at the Indicative Match Price at any given time.

(10) "Auction Collar" means the price collar thresholds for the Indicative Match Price for the Core Open Auction, Trading Halt Auction, or Closing Auction.

(A) The Auction Collar will be based on a price that is a specified percentage away from the Auction Reference Price for the applicable auction. The upper (lower) boundary of the Auction Collar is the Auction Reference Price increased

(decreased) by the specified percentage, truncated to the MPV. The specified percentages for price collar thresholds are:

<u><b>Core Open Auction** and Trading Halt</b></u>		
<u><b>Auction Reference Price</b></u>	<u><b>Auction*</b></u>	<u><b>Closing Auction</b></u>
<u>\$25.00 or less</u>	<u>10%</u>	<u>5%</u>
<u>Greater than \$25.00 but less than or equal to \$50.00</u>	<u>5%</u>	<u>2%</u>
<u>Greater than \$50.00</u>	<u>3%</u>	<u>1%</u>

\*The price collar thresholds specified in this paragraph applicable to Trading Halt Auctions are in effect until SR-NYSEArca-2016-130 has been approved and a proposed rule change based on SR-NYSEArca-2016-130 for the Exchange is effective and operative.

\*\* If as of 9:00 a.m. Eastern Time, the E-mini S&P 500 Futures are +/- 2% from the prior day's closing price of the E-mini S&P 500 Futures, or if the Exchange determines that it is necessary or appropriate for the maintenance of a fair and orderly market, the Auction Collar for the Core Open Auction will be 10%, regardless of the Auction Reference Price.

(B) An Indicative Match Price that is equal to or higher (lower) than the upper (lower) boundary of the Auction Collar will be adjusted to one MPV below (above) the upper (lower) boundary of the Auction Collar and orders eligible to participate in the applicable auction will trade at the collared Indicative Match Price.

(C) Limit Orders to buy (sell) with a limit price at or above (below) the upper (lower) Auction Collar will be included in the Auction Imbalance Information at the collared Indicative Match Price and will be eligible to trade at the Indicative Match Price.

(D) Limit Orders to buy (sell) with a limit price below (above) the lower (upper) Auction Collar will not be included in the Auction Imbalance Information and will not participate in the applicable auction.

(b) Early Open Auction. The Early Open Auction will be conducted at the beginning of the Early Trading Session. Only Limit Orders in Auction-Eligible Securities designated for the Early Trading Session will be eligible to participate in the Early Open Auction. If there is no Matched Volume for the Early Open Auction, the Exchange will open the Early Trading Session with a quote.

(1) Thirty minutes before the Early Trading Session begins, the Exchange will begin disseminating the Early Open Auction Imbalance Information. The non-displayed quantity of Reserve Orders eligible to participate in the Early Open Auction will not be included in the Matched Volume or Total Imbalance until the Early Open Auction Imbalance Freeze begins.

(2) The Early Open Auction Imbalance Freeze will begin one minute before the scheduled time for the Early Open Auction.

(3) Limit Orders eligible to trade in the Early Open Auction will be matched and traded at the Indicative Match Price following Auction Ranking as of the time of the Early Open Auction.

(4) The Early Open Auction trade will be designated with a modifier to identify it as an extended hour .T trade.

(c) Core Open Auction. The Core Open Auction will be conducted at the beginning of the Core Trading Session. Orders in Auction-Eligible Securities that include a designation for the Core Trading Session and that are eligible to participate in an auction will be eligible to participate in the Core Open Auction.

(1) The Exchange will begin publishing Core Open Auction Imbalance Information at 8:00 a.m. Eastern Time. The non-displayed quantity of Reserve Orders that are eligible to participate in the Core Open Auction will not be included in the Matched Volume, Total Imbalance, or Market Imbalance until the Core Open Auction Imbalance Freeze begins.

(2) Beginning one minute before the schedule time for the Core Open Auction, requests to cancel and requests to cancel and replace MOO Orders and LOO Orders will be rejected.

(3) The Core Open Auction Imbalance Freeze will begin five seconds before the scheduled time for the Core Open Auction. Order entry and cancellation will be processed during the Core Open Auction Imbalance Freeze as follows:

(A) MOO Orders and LOO Orders will be rejected.

(B) Market Orders (other than MOO Orders) and Limit Orders designated for the Core Trading Session only will be accepted but will not be included in the calculation of the Indicative Match Price or the Core Open Auction Imbalance Information. Such orders will participate in the Core Open Auction only to offset the Imbalance that is remaining after all orders entered before the Core Open Auction Imbalance Freeze, including the non-display quantity of Reserve Orders, are allocated in the Core Open Auction, and will be allocated in price-time priority under Rule 7.36E(c) - (g) consistent with the priority ranking associated with each order.

(C) Requests to cancel and requests to cancel and replace Market Orders (other than MOO Orders) and Limit Orders designated for the Core Trading Session only will be accepted but not processed until after the Core Open Auction concludes.

(D) All other order instructions will be accepted.

(4) All orders eligible to trade in the Core Open Auction will be matched and traded at the Indicative Match Price following Auction Ranking as of the time of the Core Open Auction.

(5) The Core Open Auction trade will be designated with a modifier to identify it as a Core Open Auction trade.

(d) Closing Auction. The Closing Auction will be conducted at the end of the Core Trading Session. Orders in Auction-Eligible Securities that include a designation for the Core Trading Session and that are eligible to participate in an auction will be eligible to participate in the Closing Auction.

(1) The Exchange will begin publishing Closing Auction Imbalance Information one hour before the scheduled time for the Closing Auction. The non-displayed quantity of Reserve Orders that are eligible to participate in the Closing Auction will not be included in the Matched Volume, Total Imbalance, or Market Imbalance until the Closing Auction Imbalance Freeze begins.

(2) The Closing Auction Imbalance Freeze will begin one minute before the scheduled time for the Closing Auction. Order entry and cancellation will be processed during the Closing Auction Imbalance Freeze as follows:

(A) LOC Orders and MOC Orders that are on the same side of the Imbalance, would flip the Imbalance, or would create a new Imbalance will be rejected.

(B) Requests to cancel and requests to cancel and replace MOC Orders and LOC Orders will be rejected.

(C) All other order instructions will be accepted.

(3) All orders eligible to trade in the Closing Auction will be matched and traded at the Indicative Match Price following Auction Ranking as of the time of the Closing Auction.

(4) The Closing Auction trade will be designated with a modifier to identify it as a Closing Auction trade. The Exchange will report an Official Closing Price, as defined in Rule 1.1E(gg)(1), for all securities that trade on the Exchange, provided that an Official Closing Price will not be reported for a security if there were no consolidated last-sale eligible trades in such security on a trading day. Official

Closing Prices determined under Rule 1.1E(gg)(2) – (4) will be disseminated as provided for in that rule.

(e) Trading Halt Auction. A Trading Halt Auction will be conducted to re-open trading in an Auction-Eligible Security following a halt or pause of trading in that security in either the Early Trading Session, Core Trading Session, or Late Trading Session, as applicable. Orders that include a designation for the applicable trading session and are eligible to participate in an auction will be eligible to participate in a Trading Halt Auction.

(1) Immediately after trading in an Auction-Eligible Security is halted or paused, the Exchange will begin publishing Trading Halt Auction Imbalance Information.

(2) After trading in a security has been halted or paused, the Exchange will disseminate the estimated time at which trading in that security will re-open (the "Re-Opening Time").

(3) During a trading halt or pause in an Auction-Eligible Security, entry and cancellations of orders eligible to participate in the Trading Halt Auction will be processed as provided for in Rule 7.18E(c).

(4) All orders eligible to trade in a Trading Halt Auction will be matched and traded at the Indicative Match Price following Auction Ranking as of the Re-Opening Time.

(5) A Trading Halt Auction that occurs during the Early Trading Session or Late Trading Session will be designated with a modifier to identify it as an extended hour .T trade. A Trading Halt Auction that occurs during the Core Trading Session will be designated with a modifier to identify it as a halt auction.

(f) IPO Auction. An IPO Auction will be conducted during the Core Trading Session on the first day of trading for any security, including an Exchange Traded Product, for which the Exchange is the primary listing market, excluding transfers. An IPO Auction will follow the processing rules of a Core Open Auction, provided that:

(1) The Exchange will specify the time that an IPO Auction will be conducted.

(2) There will be no Auction Imbalance Freeze, Auction Collars, or restrictions on the entry or cancellation of orders for an IPO Auction.

(3) An IPO Auction will not be conducted if there are only Market Orders on both sides of the market.

(g) Order Processing during an Auction Processing Period. New orders received during the Auction Processing Period will be accepted but will not be processed until after the Auction Processing Period. For purposes of paragraphs (g) and (h) of this rule, an "order instruction" refers to a request to cancel, cancel and replace, or modify an order. During the Auction Processing Period, order instructions will be processed as follows:

(1) An order instruction received during the Auction Processing Period will not be processed until after the Auction Processing Period if it relates to an order that was received before the Auction Processing Period. Any subsequent order instructions relating to such order will be rejected.

(2) An order instruction received during the Auction Processing Period will be processed on arrival if it relates to an order that was received during the Auction Processing Period.

(h) Transition to Continuous Trading. After auction processing concludes, including if there is no Matched Volume and an auction is not conducted or when transitioning from one trading session to another, the Exchange will transition to continuous trading following an auction or when transitioning from one trading session to another as follows:

(1) Orders that are no longer eligible to trade, either because they are Auction-Only Orders or not eligible for the next trading session, will expire.

(2) During the transition to continuous trading, order instructions will be processed as follows:

(A) An order instruction received during the Auction Imbalance Freeze, the transition to continuous trading, or the Auction Processing Period under paragraph (g)(1) of this Rule will be processed in time sequence with the processing of orders as specified in paragraphs (h)(3)(A) or (B) of this Rule if it relates to an order that was received before the Auction Processing Period. Any subsequent order instructions relating to such order will be rejected.

(B) An order instruction received during the transition to continuous trading will be processed on arrival if it relates to an order that was entered during the Auction Processing Period or the transition to continuous trading.

(3) When transitioning to continuous trading from a prior trading session or following an auction, orders will be processed as follows:

(A) A quote will be published based on unexecuted orders that were eligible to trade in the trading sessions both before and after the transition or auction, i.e., previously-live orders.

(i) Before publishing a quote when transitioning from a prior trading session or following the Early Open Auction, Core Open Auction, or Closing Auction: (1) previously-live orders that are marketable will be traded, routed, or cancelled in time sequence; (2) a new quote will be published only if different from the last-published quote; and (3) if the new published quote is worse than the previously-published quote and would lock or cross the PBBO, the display price of Limit Orders will be adjusted consistent with Rule 7.31E(a)(2)(C).

(ii) Before publishing a quote following a Trading Halt Auction: (1) previously-live Limit Orders that are designated with a Proactive if Locked/Crossed Modifier or that would be the result of reserve interest replenishing the fully-executed display quantity of a routable Reserve Order will route, if marketable against protected quotations on Away Markets; (2) previously-live orders that are marketable against other orders in the Exchange Book and that would not trade-through a protected quotation will trade; and (3) the display price of all other orders that are marketable against a protected quotation on an Away Market will be adjusted consistent with Rule 7.31E(a)(2)(C).

(B) Next, unexecuted orders that were not eligible to trade in the prior trading session (or were received during a halt or pause) or that were received during the Auction Processing Period, will be assigned a new working time at the end of the Auction Processing Period in time sequence relative to one another based on original entry time.

(C) When processing orders, the display price and working price of an order will be adjusted based on the PBBO or NBBO, as provided for in Rule 7.31E. When transitioning to continuous trading, the display price and working price of Day ISOs will be adjusted in the same manner as MKT Only Orders until the Day ISO is either traded in full or displayed at its limit price.

(i) Whenever in the judgment of the Exchange the interests of a fair and orderly market so require, the Exchange may adjust the timing of or suspend the auctions set forth in this Rule with prior notice to ETP Holders.

(j) For purposes of Rule 611(b)(3) of Regulation NMS, the Early Open Auction, Core Open Auction, Closing Auction, Trading Halt Auction, and IPO Auction are single-priced opening, reopening, or closing transactions and may trade through any other Away Market's Manual or Protected Quotations.

Commentary:

**.01 During a Short Sale Period (as defined in Rule 7.16E(f)):**

(a) For purposes of pricing an auction and ranking orders for allocation in an auction, sell short Market Orders that are adjusted to a Permitted Price (as defined in Rule 7.16E(f)) will be processed as Limit Orders ranked Priority 2 - Display Orders and will not be included in the Market Imbalance.

(b) Sell short orders that are included in Auction Imbalance Information, but are not eligible for continuous trading before the applicable auction, will be adjusted to a Permitted Price as the NBB moves both up and down.

**Rule 7.36E. [Reserved]Order Ranking and Display**



(a) Definitions for purposes of Rule 7E Equities Trading:

- (1) "Display price" means the price at which a Limit Order is displayed, which may be different from the limit price or working price of the order.
- (2) "Limit price" means the highest (lowest) specified price at which a Limit Order to buy (sell) is eligible to trade.
- (3) "Working price" means the price at which an order is eligible to trade at any given time, which may be different from the limit price or display price of the order.
- (4) "Working time" means the effective time sequence assigned to an order for purposes of determining its priority ranking.

(b) Display. The Exchange displays all non-marketable Limit Orders, unless the order or modifier instruction specifies that all or a portion of the order is not to be displayed.

- (1) An order is considered displayed for ranking purposes if the price, side, and size of the order are disseminated via a market data feed. Odd-lot sized Limit Orders and the displayed portion of a Reserve Orders are considered displayed for ranking purposes.
- (2) Except as otherwise permitted by Rule 7.7E, all non-marketable displayed Limit Orders will be displayed on an anonymous basis.
- (3) The best-ranked non-marketable displayed Limit Order(s) to buy and the best ranked non-marketable displayed Limit Order(s) to sell in the Exchange Book and the aggregate displayed size of such orders associated with such prices will be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 602 of Regulation NMS under the Exchange Act. If non-marketable odd-lot sized orders at multiple price levels can be aggregated to equal at least a round lot, such odd-lot sized orders will be displayed as the best ranked displayed orders to sell (buy) at the least aggressive price at which such odd-lot sized orders can be aggregated to equal at least a round lot.

(c) Ranking. All non-marketable orders are ranked and maintained in the Exchange Book according to price-time priority in the following manner: (1) price; (2) priority category; (3) time; and (4) ranking restrictions applicable to an order or modifier condition.

(d) Price. All orders are ranked based on the working price of an order. Orders to buy are ranked from highest working price to lowest working price. Orders to sell are ranked from lowest working price to highest working price. If the working price of an order changes, the price priority of the order changes.

(e) *Priority Categories.* At each price point, all orders are assigned a priority category. If at a price point there are no orders in a priority category, the next priority category has first priority.

(1) Priority 1 - Market Orders. Unexecuted Market Orders have priority over all other same-side orders with the same working price.

(2) Priority 2 - Display Orders. Non-marketable Limit Orders with a displayed working price have second priority.

(3) Priority 3 - Non-Display Orders. Non-marketable Limit Orders for which the working price is not displayed, including reserve interest of Reserve Orders, have third priority.

(4) Priority 4 - Tracking Orders. Tracking Orders have fourth priority.

(f) *Time.* Within each priority category, orders are ranked based on time priority.

(1) An order is assigned a working time based on its original entry time, which is the time when an order is first placed in the Exchange Book.

(A) An order that is fully routed to an Away Market on arrival is not assigned a working time unless and until any unexecuted portion of the order returns to the Exchange Book.

(B) For an order that is partially routed to an Away Market on arrival, the portion that is not routed is assigned a working time. If any unexecuted portion of the order returns to the Exchange Book and joins any remaining resting portion of the original order, the returned portion of the order is assigned the same working time as the resting portion of the order. If the resting portion of the original order has already executed and any unexecuted portion of the order returns to the Exchange Book, the returned portion of the order is assigned a new working time.

(2) An order is assigned a new working time any time the working price of an order changes.

(3) An order is assigned a new working time if the size of an order increases. An order retains its working time if the size of the order is decreased.

(4) An order retains its working time if the order marking is changed from: (A) sell to sell short; (B) sell to sell short exempt; (C) sell short to sell; (D) sell short to sell short exempt; (E) sell short exempt to sell; and (F) sell short exempt to sell short.

(g) *Ranking Restrictions.* The Exchange will enforce ranking restrictions applicable to specific order or modifier instructions as provided for in Rules 7.31E.

**Rule 7.37E. [Reserved]Order Execution and Ranking**

(a) Order Execution. An incoming marketable order will be matched for execution against contra-side orders in the Exchange Book according to the price-time priority ranking of the resting orders, subject to the following.

- (1) Orders that are routed to an Away Market on arrival will not be assigned a working time or matched for execution on the Exchange Book.
- (2) Unless an order qualifies for an exception from the Order Protection Rule in Rule 611 of Regulation NMS, an order will not trade at prices that trade through a protected quotation.
- (3) Limit Orders will be executed at prices that are equal to or better than the PBBO.
- (4) Market Orders and Inside Limit Orders will be executed at prices that are equal to or better than the NBBO.

(b) Routing. Unless an order has an instruction not to route, after being matched for execution with any contra-side orders in the Exchange Book pursuant to paragraph (a) of this Rule, marketable orders will be routed to Away Market(s).

- (1) An order that cannot meet the pricing parameters of paragraph (a) of this Rule may be routed to Away Market(s) before being matched for execution against contra-side orders in the Exchange Book.
- (2) If an order with an instruction not to route would trade through or lock or cross a protected quotation and is not eligible for an exception to Rule 610 or 611 of Regulation NMS, it will cancel, re-price, or be held undisplayed on the Exchange Book, as provided for in Rules 7.31E.
- (3) Reserved.
- (4) Limit Orders that are routed to Away Market(s) may be routed to more than one price level, up (down) to the limit price of an order to buy (sell).
- (5) Except for orders routed to the primary listing market on arrival pursuant to Rule 7.34E or designated to route to the primary listing market pursuant to Rule 7.31E, orders routed to Away Market(s) will be sent as IOC ISOs.
- (6) Any order or portion thereof that has been routed is not eligible to trade on the Exchange Book, unless all or a portion of the order returns unexecuted.
- (7) Requests to cancel an order that has been routed will be processed as follows:

(A) For orders that are eligible to be matched for execution against orders in the Exchange Book, the request to cancel will not be processed unless and until all or a portion of the order returns unexecuted.

(B) For orders routed to the primary listing market on arrival pursuant to Rule 7.34E or designated to route to the primary listing market pursuant to Rule 7.31E, the request to cancel will be routed to the primary listing market.

(C) For MOC Orders or LOC Orders in NYSE-listed securities, requests to cancel or reduce in size that are electronically entered after the times specified in NYSE Rule 123C(3)(b) and Supplementary Material .40 to that rule will be rejected.

(8) An order marked "short" when a short sale price test restriction is in effect will not be routed.

(c) After executing with eligible contra-side interest on the Exchange Book and/or returning unexecuted after routing to an Away Market(s), any unexecuted non-marketable portion of an order will be ranked consistent with Rule 7.36E.

(d) *Use of Data Feeds.* The Exchange uses the following data feeds for the handling, execution, and routing of orders, as well as for regulatory compliance:

<u>Market Center</u>	<u>Primary Source</u>	<u>Secondary Source</u>
<u>Bats BZX Exchange, Inc.</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>Bats BYX Exchange, Inc.</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>Bats EDGA Exchange, Inc.</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>Bats EDGX Exchange, Inc.</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>Chicago Stock Exchange, Inc.</u>	<u>SIP Data Feed</u>	<u>n/a</u>
<u>Investors' Exchange, LLC</u>	<u>SIP Data Feed</u>	<u>n/a</u>
<u>NASDAQ OMX BX LLC</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>

<u>NASDAQ OMX PHLX LLC</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>NASDAQ Stock Market LLC</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>National Stock Exchange, LLC</u>	<u>SIP Data Feed</u>	<u>n/a</u>
<u>New York Stock Exchange LLC</u>	<u>Direct Feed</u>	<u>SIP Data Feed</u>
<u>NYSE Arca, Inc.</u>	<u>SIP Data Feed</u>	<u>n/a</u>

(e) Locking or Crossing Quotations in NMS Stocks.

(1) Definitions. For purposes of this Rule, the following definitions shall apply:

(A) The term Crossing Quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the Best Protected Offer for such NMS stock, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the Best Protected Bid for such NMS stock.

(B) The term Locking Quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the Best Protected Offer for such NMS stock, or the display of an offer for an NMS stock during regular trading hours at a price that equals the Best Protected Bid for such NMS stock.

(2) Prohibition. Except for quotations that fall within the provisions of paragraph (e)(3) of this Rule, the Exchange and members of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross the PBBO.

(3) Locked or Crossed Market Exceptions. The prohibition against Locking and Crossing Quotations in paragraph (e)(2) of this Rule will not apply when:

(A) The Locking or Crossing Quotation was displayed at a time when the Trading Center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment;

(B) The Locking or Crossing Quotation was displayed at a time when the Best Protected Bid was higher than the Best Protected Offer in the NMS stock; or

(C) The Locking or Crossing Quotation was an Automated Quotation, and the ETP Holder displaying such Automated Quotation simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Quotation.

(f) Exceptions to the Order Protection Rule

(1) Self-Help Exception. The self-help exception will apply to any trade-through of a Protected Quotation displayed by a Trading Center that is experiencing a failure, material delay, or malfunction of its systems or equipment. In these instances, Protected Quotations may be bypassed by:

(A) notifying the non-responding Trading Center immediately after (or at the same time as) electing self-help; and

(B) following the established Exchange policies and procedures for electing the self-help exception.

(2) Intermarket Sweep Order Exception.

(A) The Exchange will accept ISO orders to be executed in the Exchange Book against orders at the Exchange's best bid or best offer without regard to whether the execution would trade through another market's Protected Quotation.

(B) If an ISO is marked as "Immediate-or-Cancel," any portion of the order not executed upon arrival will be automatically cancelled. If an ISO is not marked as "Immediate-or-Cancel," any balance of the order will be displayed by the Exchange without regard to whether that display would lock or cross another market center if the ETP Holder has complied with Rule 7.37E(e)(3)(C).

(3) Single-Price Openings, Reopenings, and Closing Transactions. A transaction that constituted the trade through is excepted from the Order Protection Rule if it was a single-priced opening, reopening, or closing transaction by the Exchange.

(4) Benchmark Trades. The Exchange may execute volume-weighted average price ("VWAP") orders, as well as other types of orders that are not priced with reference to the quoted price of the NMS stock at the time of execution and for which the material terms were not reasonably available at the time the commitment to execute the order was made. Benchmark Trades may not trade through the Exchange Book.

(5) Contingent Order Exemption. Transactions Qualifying as "Contingent Trades" may trade-through both Manual and Protected Quotes. Transactions executed under this exemption may not trade through the Exchange Book. A "Qualified Contingent Trade" is a transaction consisting of two or more component orders, executed as agent or principal, where:

- (A) at least one component order is in an NMS stock;
- (B) all components are effected with a product or price contingency that either has been agreed to by the respective counterparties or arranged for by a broker-dealer as principal or agent;
- (C) the execution of one component is contingent upon the execution of all other components at or near the same time;
- (D) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined at the time the contingent order is placed;
- (E) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or since cancelled; and
- (F) the Exempted NMS Stock Transaction is fully hedged (without regard to any prior existing position) as a result of the other components of the contingent trade.

**Rule 7.38E. [Reserved]Odd and Mixed Lot**

(a) Order Types. Rule 7.31E specifies whether an order may not be entered as an odd lot or mixed lot.

(b) Ranking and Execution. Round lot, mixed lot and odd lot orders are treated in the same manner in the Exchange, provided that:

- (1) The working price of an odd lot order will be adjusted both on arrival and when resting on the Exchange Book based on the limit price of the order. If the limit price of an odd lot order to buy (sell) is at or below (above) the PBO (PBB), it will have a working price equal to the limit price. If the limit price of an odd lot order to buy (sell) is above (below) the PBO (PBB), it will have a working price equal to the PBO (PBB). If the limit price of an odd lot order to buy (sell) is above (below) the PBO (PBB) and the PBBO is crossed, it will have a working price equal to the PBB (PBO).
- (2) For an order that is partially routed to an Away Market on arrival, if any returned quantity of the order joins resting odd-lot quantity of the original order and the returned and resting quantity, either alone or together with other odd-lot orders, would be displayed as a new BBO, both the returned and resting quantity will be assigned a new working time.

**Rule 7.39E. Off-Hours Trading**

(a) This rule applies to all Exchange contracts made on the Exchange through its "Off-Hours Trading Facility."

(b) Definitions: The following terms have the meanings specified below in this Rule:

(i) The term "Aggregate-Price Coupled Order" means an order to buy or sell a group of securities, which group includes no fewer than 15 Exchange-listed or traded securities having a total market value of \$1 million or more.

(ii) The term "Off-Hours Trading Facility" means the Exchange facility that permits ETP Holders to effect securities transactions on the Exchange under this Rule and the term "Off-Hours Trading" refers to trading through that facility.

(c) Securities to be Traded: Only such NMS Stocks as the Exchange may specify, including Exchange-listed securities and UTP Securities, will be eligible to trade in the Off-Hours Trading Facility.

(d) Aggregate-Price Coupled Orders: An ETP Holder may only enter into the Off-Hours Trading Facility an Aggregate-Price Coupled Order to buy (sell) that is matched with an Aggregate-Price Coupled Order to sell (buy) the same quantities of the same securities, including in odd lot and mixed lot quantities.

(i) Transactions effected through the Off-Hours Trading Facility pursuant to Aggregate-Price Coupled Orders may be for delivery at such time as the parties entering the orders may agree.

(ii) ETP Holders will mark all sell orders as "long" as appropriate.

(iii) Each side of an Aggregate-Price Coupled Order entered on a matched basis will be traded on entry against the other side without regard to the priority of other orders entered into the Off-Hours Trading Facility.

(iv) A transaction described in this Rule is an Exchange contract that is binding in all respects and without limit on the ETP Holder that enters any of the transaction's component orders. The ETP Holder will be fully responsible for the Exchange contract.

(e) Off-Hours Trading Reports: Each ETP Holder will report to the Exchange such information, in such manner, and at such times, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including reports relating to Off-Hours Trading orders, proprietary or agency activity and activity in related instruments.

(f) Off-Hours Trading Records: Each ETP Holder will maintain and preserve such records, in such manner, and for such period of time, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, but not limited to, records relating to orders, cancellations, executions and trading volume, proprietary trading



activity, activity in related instruments and securities and other records necessary to allow the ETP Holder to comply with the reporting provisions of paragraph (e) of this Rule.

(g) *Impact of Trading Halts on Off-Hours Trading:* Notwithstanding a trading halt in any security (other than a trading halt pursuant to Rule 7.12E (Trading Halts Due to Extraordinary Market Volatility)) or a corporate development, ETP Holders may enter Aggregate-Price Coupled Orders into the Off-Hours Trading Facility under this Rule.

#### **Rule 7.40E. [Reserved]Trade Execution and Reporting**

Executions occurring as a result of orders matched against the Exchange Book will be reported by the Exchange to an appropriate consolidated transaction reporting system. Executions occurring as a result of orders routed away from the Exchange will be reported to an appropriate consolidated transaction reporting system by the relevant reporting market center. The Exchange will promptly notify ETP Holders of all executions of their orders as soon as such executions take place. Executions that occur through a Protected Quotation shall be marked with the appropriate designation as defined by the transaction reporting plans.

#### **Rule 7.41E. [Reserved]Clearance and Settlement**

(a) The details of each transaction executed within the Exchange shall be automatically processed for clearance and settlement on a locked-in basis. ETP Holders need not separately report their transactions to the Exchange for trade comparison purposes.

(b) Except as provided herein, transactions executed on the Exchange will be processed anonymously. The transaction reports will indicate the details of the transaction, but will not reveal contra party identities.

(c) The Exchange will reveal the contra-party identities in the following circumstances:

- (1) for regulatory purposes or to comply with an order of a court or arbitrator;
- (2) when a Qualified Clearing Agency ceases to act for an ETP Holder or an ETP Holder's clearing firm, and determines not to guarantee the settlement of the ETP Holder's trades; or
- (3) if both parties to the transaction consent.

(d) The Exchange will reveal to an ETP Holder, no later than the end of the day on the date an anonymous trade was executed, when that ETP Holder submits an order that has executed against an order submitted by that same ETP Holder.

(e) In order to satisfy the ETP Holder's record keeping obligations under SEC Rules 17a-3(a)(1) and 17a-4(a), (i) the Exchange will, with the exception of those circumstances

described below in (ii), retain for the period specified in Rule 17a-4(a) the identity of each ETP Holder that executes an anonymous transaction described in paragraph (b) of this rule, and (ii) ETP Holders shall retain the obligation to comply with SEC Rules 17-3(a)(1) and 17-4(a) whenever they possess the identity of their contra party. In either case, the information shall be retained in its original form or a form approved under Rule 17a-6.

**Commentary:**

.10 Definition of a Qualified Clearing Agency: The term "Qualified Clearing Agency" means a clearing agency (as defined in the Securities Exchange Act of 1934) that (i) has been granted registration by the Securities and Exchange Commission under the Exchange Act; (ii) maintains facilities through which Exchange contracts may be compared or settled; and (iii) has agreed to supply the Exchange with data reasonably requested in order to permit the Exchange to enforce compliance by ETP Holders with the provisions of the Exchange Act, the rules and regulations thereunder, and the Rules of the Exchange.

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**Section 4. Operation of Routing Broker**

**Rule 7.45E. [Reserved]Operation of a Routing Broker**

(a) The term "Routing Broker" shall mean the broker-dealer affiliate of NYSE MKT LLC and/or any other non-affiliate third-party broker-dealer that acts as a facility of NYSE MKT LLC for routing orders entered into Exchange systems to other market centers for execution whenever such routing is required by the Rules of the Exchange and federal securities laws. The Routing Brokers will operate as described in this Rule 7.45E.

**(b) Outbound Routing Function**

(1) (A) The Routing Broker(s) will receive routing instructions from the Exchange, to route orders to other market centers and report such executions back to the Exchange. Except as provided in paragraph (b)(1)(B) below, the Routing Broker(s) cannot change the terms of an order or the routing instructions, nor does the Routing Broker(s) have any discretion about where to route an order.

(B) In the sole discretion of the Routing Broker(s), pursuant to risk management controls and supervisory procedures maintained by the Routing Broker(s) pursuant to SEC Rule 15c3-5, the Routing Broker(s) may reject any order or series of orders as necessary to manage the financial, regulatory, and other risks of the Routing Brokers(s) providing "market access," as that term is defined in SEC Rule 15c3-5(a)(1).

- (2) The broker-dealer affiliate of the Exchange that acts as a Routing Broker will not engage in any business other than (a) the functions set forth in this Rule; and (b) any other activities it may engage in as approved by the Commission.
- (3) The use of the Routing Broker(s) to route orders to another market center will be optional. Any ETP Holder that does not want to use the Routing Broker(s) must enter an immediate-or-cancel order or any such other order type available on the Exchange that is not eligible for routing.
- (4) All bids and offers entered on the Exchange routed to other market centers via the Routing Broker(s) that result in an execution shall be binding on the ETP Holder that entered such bid and offer.
- (5) The Exchange will regulate the Routing Broker(s) as a facility (as defined in Section 3(a)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")), subject to Section 6 of the Act. In particular, and without limitation, under the Exchange Act, the Exchange will be responsible for filing with the Commission rule changes and fees relating to the functions performed by the Routing Broker(s) for the Exchange and will be subject to exchange non-discrimination requirements.
- (6) The books, records, premises, officers, agents, directors and employees of the Routing Broker(s), as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, agents, directors and employees of the Exchange for purposes of, and subject to oversight pursuant to, the Exchange Act. The books and records of the Routing Broker(s) as a facility of the Exchange shall be subject at all times to inspection and copying by the Exchange and the Commission.
- (7) A self-regulatory organization ("SRO") unaffiliated with the Exchange or any of its affiliates will carry out the oversight and enforcement responsibilities as the designated examining authority designated by the Commission pursuant to Rule 17d-1 of the Exchange Act with the responsibility for examining the Routing Broker(s) for compliance with the applicable financial responsibility rules.
- (8) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and its facilities (including the non-affiliate third-party broker-dealer acting as a facility of the Exchange ("third-party Routing Facility"), and any other entity, including any affiliate of the third-party Routing Facility, and, if the third-party Routing Facility or any of its affiliates engage in any other business activities other than providing routing services to the Exchange, between the segment of the third-party Routing Facility or affiliate that provides the other business activities and the routing services.

(c) Inbound Routing Function

(1) For so long as the Exchange is affiliated with NYSE Arca, Inc. ("NYSE Arca") and New York Stock Exchange, LLC ("NYSE"), and Archipelago Securities LLC ("Arca Securities"), in its capacity as a facility of NYSE Arca and NYSE, is utilized for the routing of any approved types of orders from those exchanges to the Exchange (such function of Arca Securities is referred to as the "Inbound Router"), each of the Exchange and Arca Securities shall undertake as follows:

(A) The Exchange shall (1) maintain an agreement pursuant to Rule 17d-2 under the Exchange Act with a non-affiliated SRO to relieve the Exchange of regulatory responsibilities for Arca Securities with respect to rules that are common rules between the Exchange and the non-affiliated SRO, and (2) maintain a regulatory services agreement with a non-affiliated SRO to perform regulatory responsibilities for Arca Securities for unique Exchange rules.

(B) The regulatory services agreement described in Rule 7.45E(c)(1)(A) shall require the Exchange and the non-affiliated SRO to monitor Arca Securities for compliance with the Exchange's trading rules, and collect and maintain all alerts, complaints, investigations and enforcement actions (collectively "Exceptions") in which Arca Securities (in routing orders to the Exchange) is identified as a participant that has potentially violated applicable Exchange or SEC rules. The Exchange and the non-affiliated SRO shall retain these records in an easily accessible manner. The regulatory services agreement described in 7.45E(c)(1)(A) shall require that the non-affiliated SRO provide a report, at least quarterly, to the Chief Regulatory Officer of the Exchange quantifying all Exceptions (of which the Exchange and the non-affiliated SRO become aware) in which Arca Securities is identified as a participant that has potentially violated Exchange or SEC Rules.

(C) The Exchange, on behalf of the holding company owning both the Exchange and Arca Securities, shall establish and maintain procedures and internal controls reasonably designed to prevent Arca Securities from receiving any benefit, taking any action or engaging in any activity based on non-public information regarding planned changes to Exchange systems, obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated ETP Holders of the Exchange in connection with the provision of inbound order routing to the Exchange.

(D) The Exchange may furnish to Arca Securities the same information on the same terms that the Exchange makes available in the normal course of business to any other ETP Holder.

(2) Provided the above conditions are complied with, and provided further that Arca Securities operates as an outbound router on behalf of NYSE Arca and NYSE on the same terms and conditions as it does for the Exchange, and in accordance with the Rules of NYSE Arca and NYSE, Arca Securities may provide inbound routing services to the Exchange from NYSE Arca and NYSE.

(d) Cancellation of Orders and Error Account

(1) The Exchange or Arca Securities may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, Arca Securities, or a routing destination. The Exchange or Arca Securities shall provide notice of the cancellation to affected ETP Holders as soon as practicable.

(2) Arca Securities shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at Arca Securities, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").

(A) For purposes of this Rule 7.45E(d), an error position shall not include any position that results from an order submitted by an ETP Holder to the Exchange that is executed on the Exchange and processed pursuant to Rule 7.41E(a).

(B) Except as provided in Rule 7.45E(d)(2)(C), Arca Securities shall not (i) accept any positions in its error account from an account of an ETP Holder, or (ii) permit any ETP Holder to transfer any positions from the ETP Holder's account to Arca Securities' error account.

(C) If a technical or systems issue results in the Exchange not having valid clearing instructions for an ETP Holder to a trade, Arca Securities may assume that ETP Holder's side of the trade so that the trade can be processed pursuant to Rule 7.41E(a).

(3) In connection with a particular technical or systems issue, Arca Securities or the Exchange shall either (i) assign all resulting error positions to ETP Holders in accordance with subparagraph (A) below, or (ii) have all resulting error positions liquidated in accordance with subparagraph (B) below. Any determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

(A) Arca Securities or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the ETP Holders affected by that technical or systems issue if Arca Securities or the Exchange:

(i) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the ETP Holders affected by that technical or systems issue;

(ii) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the ETP Holders affected by that technical or systems issue; and

(iii) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (d)(1) above.

(B) If Arca Securities or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected ETP Holders in accordance with subparagraph (A) above, or if Arca Securities or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (d)(1) above, then Arca Securities shall liquidate the error positions as soon as practicable. Arca Securities shall:

(i) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and

(ii) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Arca Securities/the Exchange associated with the liquidation of the error positions.

(4) Arca Securities and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to ETP Holders or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

## **Section 5. Plan to Implement a Tick Size Pilot Program**

### **Rule 7.46E. [Reserved]Tick Size Pilot Plan**

The provisions of this Rule will be in effect during a pilot to coincide with the pilot period for the Regulation NMS Tick Size Pilot Plan.

#### (a) Tick Size Pilot Program

##### (1) Definitions.

(A) "Plan" means the Tick Size Pilot Plan Submitted to the Securities and Exchange Commission Pursuant to Rule 608(a)(3) of Regulation NMS under the Exchange Act.

(B) "Pilot Test Groups" means the three test groups established under the Plan, consisting of 400 Pilot Securities each, which satisfy the respective criteria established by the Plan for each such test group.

(C) "Retail Investor Order" means an agency order or a riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person

and is submitted to the Exchange by a retail ETP Holder, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. A Retail Investor Order may be an odd lot, round lot, or partial round lot.

(D) "Trade-at Intermarket Sweep Order" means a limit order for a Pilot Security that meets the following requirements:

(i) When routed to a Trading Center, the limit order is identified as a Trade-at Intermarket Sweep Order; and

(ii) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders.

(E) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan, Regulation NMS under the Exchange Act, or Exchange rules, as applicable.

(2) Exchange Participation in the Plan. The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes a Tick Size Pilot Program that will allow the Securities and Exchange Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stocks of small capitalization companies.

(3) ETP Holder Compliance. ETP Holders shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the applicable requirements of the Plan.

(4) Exchange Compliance with the Plan. Exchange systems will not display, quote or trade in violation of the applicable quoting and trading requirements for a Pilot Security specified in the Plan and this Rule, unless such quotation or transaction is specifically exempted under the Plan.

(5) Pilot Securities That Drop Below \$1.00 during the Pilot Period. If the price of a Pilot Security drops below \$1.00 during regular trading on any given business day, such Pilot Security will continue to be subject to the Plan and the requirements enumerated in (c)-(e) below and will continue to trade in accordance with such Rules as if the price of the Pilot Security had not dropped below \$1.00. However, if the Closing Price of a Pilot Security on any given business day is below \$1.00, such

Pilot Security will be moved out of its respective Pilot Test Group into the Control Group, and may then be quoted and traded at any price increment that is currently permitted by Exchange rules for the remainder of the Pilot Period. Notwithstanding anything contained herein to the contrary, at all times during the Pilot Period, Pilot Securities (whether in the Control Group or any Pilot Test Group) will continue to be subject to the requirements contained in Paragraph (b).

(b) Compliance with Data Collection Requirements

(1) Policies and Procedures Requirement. An ETP Holder that operates a Trading Center shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Items I and II of Appendix B of the Plan, and an ETP Holder that is a Market Maker shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Item IV of Appendix B of the Plan and Item I of Appendix C of the Plan.

(2) The Exchange shall collect and transmit to the SEC the data described in Items I and II of Appendix B of the Plan relating to trading activity in Pre-Pilot Data Collection Securities and Pilot Securities on a Trading Center operated by the Exchange. The Exchange shall transmit such data to the SEC in a pipe delimited format, on a disaggregated basis by Trading Center, within 30 calendar days following month end for:

(A) Each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(B) Each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the ETP Holder that generated the 45 of 48 data.

(3) Daily Market Maker Participation Statistics Requirement

(A) An ETP Holder that is a Market Maker shall collect and transmit to their Designated Examining Authority ("DEA") data relating to Item IV of Appendix B of the Plan, with respect to activity conducted on any Trading Center in Pre-Pilot Data Collection Securities and Pilot Securities in furtherance of its status as a Market Maker, including a Trading Center that executes trades otherwise than on a national securities exchange, for transactions that have settled or reached settlement date. Market Makers shall transmit such data in a format required by their DEA by 12:00 p.m. EST on T+4:



(i) For transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) For transactions in each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) An ETP Holder that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (3)(A) above to FINRA. Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 in accordance with paragraphs (3)(A)(i) and (ii) above.

(C) The Exchange shall transmit the data collected by the DEA or FINRA pursuant to paragraphs (3)(A) and (B) above relating to Market Maker activity on a Trading Center operated by the Exchange to the SEC in a pipe delimited format within 30 calendar days following month end. The Exchange shall also make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the Trading Center that generated the data.

#### (4) Market Maker Profitability

(A) An ETP Holder that is a Market Maker shall collect and transmit to their DEA the data described in Item I of Appendix C of the Plan with respect to executions on any Trading Center that have settled or reached settlement date. Market Makers shall transmit such data in a format required to their DEA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in each:

(i) Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) An ETP Holder that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (4)(A) above to FINRA. Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in accordance with paragraphs (4)(A)(i) and (ii) above.

(5) Market Maker Registration Statistics. The Exchange shall collect and transmit to the SEC the data described in Item III of Appendix B of the Plan relating to daily

Market Maker registration statistics in a pipe delimited format within 30 calendar days following month end for:

(A) Transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through the trading day immediately preceding the Pilot Period; and

(B) Transactions in each Pilot Security for the period beginning on the first day of the Pilot Period through six months after the end of the Pilot Period.

The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the ETP Holder that generated the data.

(c) Pilot Securities in Test Group One will be subject to the following requirement: No ETP Holder may display, rank, or accept from any person any displayable or nondisplayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the national best bid and national best offer ("NBBO") or best protected bid and best protected offer ("PBBO") may be ranked and accepted in increments of less than \$0.05. Pilot Securities in Test Group One may continue to trade at any price increment that is currently permitted by Rule 7.6E.

(d) Pilot Securities in Test Group Two shall be subject to the following requirements:

(1) No ETP Holder may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO may be ranked and accepted in increments of less than \$0.05.

(2) Absent any of the exceptions listed in (3) below, no ETP Holder may execute orders in any Pilot Security in Test Group Two in price increments other than \$0.05. The \$0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(3) Pilot Securities in Test Group Two may trade in increments less than \$0.05 under the following circumstances:

(A) Trading may occur at the midpoint between the NBBO or the PBBO;

(B) Retail Investor Orders may be provided with price improvement that is at least \$0.005 better than the PBBO;

(C) Negotiated Trades may trade in increments less than \$0.05; and

(D) Execution of a customer order to comply with Rule 5320 - Equities following the execution of a proprietary trade by the ETP Holder at an increment other than \$0.05, where such proprietary trade was permissible pursuant to an exception under the Plan.

(e) Pilot Securities in Test Group Three shall be subject to the following requirements:

(1) No ETP Holder may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO may be ranked and accepted in increments of less than \$0.05.

(2) Absent any of the exceptions listed in (3) below, no ETP Holder may execute orders in any Pilot Security in Test Group Three in price increments other than \$0.05. The \$0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(3) Pilot Securities in Test Group Three may trade in increments less than \$0.05 under the following circumstances:

(A) Trading may occur at the midpoint between the NBBO or PBBO;

(B) Retail Investor Orders may be provided with price improvement that is at least \$0.005 better than the Best Protected Bid or the Best Protected Offer;

(C) Negotiated Trades may trade in increments less than \$0.05; and

(D) Execution of a customer order to comply with Rule 5320 - Equities following the execution of a proprietary trade by the ETP Holder at an increment other than \$0.05, where such proprietary trade was permissible pursuant to an exception under the Plan.

(4) Pilot Securities in Test Group Three will be subject to the following Trade-at Prohibition:

(A) "Trade-at Prohibition" means the prohibition against executions by a Trading Center of a sell order for a Pilot Security at the price of a Protected Bid or the execution of a buy order for a Pilot Security at the price of a Protected Offer during regular trading hours.

(B) Absent any of the exceptions listed in (C) below, no ETP Holder may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer.

(C) ETP Holders may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer if any of the following circumstances exist:

(i) The order is executed as agent or riskless principal by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within an ETP Holder that has a displayed quotation as agent or riskless principal, via either a processor or an SRO Quotation Feed, at a price equal to the traded at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;

(ii) The order is executed by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within an ETP Holder that has a displayed quotation for the account of that Trading Center on a principal (excluding riskless principal) basis, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;

(iii) The order is of Block Size at the time of origin and may not be:

A. an aggregation of non-block orders; or

B. broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution.

(iv) The order is a Retail Investor Order executed with at least \$0.005 price improvement;

(v) The order is executed when the Trading Center displaying the Protected Quotation that was traded at was experiencing a failure, material delay, or malfunction of its systems or equipment;

(vi) The order is executed as part of a transaction that was not a "regular way" contract;

(vii) The order is executed as part of a single-priced opening, reopening, or closing transaction on the Exchange;

(viii) The order is executed when a Protected Bid was priced higher than a Protected Offer in the Pilot Security;

(ix) The order is identified as a Trade-at Intermarket Sweep Order;

(x) The order is executed by a Trading Center that simultaneously routed Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders to execute against the full displayed size of the Protected Quotation that was traded at;

(xi) The order is executed as part of a Negotiated Trade;

(xii) The order is executed when the Trading Center displaying the Protected Quotation that was traded at had displayed, within one second prior to execution of the transaction that constituted the Trade-at, a Best Protected Bid or Best Protected Offer, as applicable, for the Pilot Security with a price that was inferior to the price of the Trade-at transaction;

(xiii) The order is executed by a Trading Center which, at the time of order receipt, the Trading Center had guaranteed an execution at no worse than a specified price (a "stopped order"), where:

A. The stopped order was for the account of a customer;

B. The customer agreed to the specified price on an order-by-order basis; and

C. The price of the Trade-at transaction was, for a stopped buy order, equal to or less than the National Best Bid in the Pilot Security at the time of execution or, for a stopped sell order, equal to or greater than the National Best Offer in the Pilot Security at the time of execution, as long as such order is priced at an acceptable increment;

(xiv) The order is for a fractional share of a Pilot Security, provided that such fractional share order was not the result of breaking an order for one or more whole shares of a Pilot Security into orders for fractional shares or was not otherwise effected to evade the requirements of the Trade-at Prohibition or any other provisions of the Plan; or

(xv) The order is to correct a bona fide error, which is recorded by the Trading Center in its error account. A bona fide error is defined as:

A. The inaccurate conveyance or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;

B. The unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions;

C. The incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or

D. A delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order.

(D) No ETP Holder shall break an order into smaller orders or otherwise effect or execute an order to evade the requirements of the Trade-at Prohibition of this Rule or any other provisions of the Plan.

(f) Exchange handling of orders during the Pilot Period for the Plan.

(1) Trade-at Intermarket Sweep Orders ("TA ISO")

(A) The Exchange will accept TA ISOs in all securities. TA ISOs must be designated as IOC, may be designated with a "No Midpoint Execution" modifier, may not be designated with an MTS, and do not route.

(B) A TA ISO will be immediately traded with contra-side displayed and nondisplayed interest in the Exchange Book up to its full size and limit price and the quantity not so traded will be immediately and automatically cancelled.

(2) For Pilot Securities in Test Groups One, Two and Three:

(A) References in Exchange rules to the MPV, as defined in Rule 7.6E, instead mean the quoting MPV specified in paragraphs (c), (d), and (e) of this Rule. References to truncating to the MPV in Exchange rules instead mean rounding down to the applicable quoting MPV for Pilot Securities.

(B) MPL Orders must be entered with a limit price in a \$0.05 pricing increment.

(3) For all Pilot Securities Market Pegged Orders will be rejected.

(4) Reserved.

(5) For Pilot Securities in Test Groups Three:

(A) At each price point, the priority of resting orders will be:

(i) Priority 2 - Display Orders. Non-marketable Limit Orders with a displayed working price have first priority.

(ii) Protected Quotations of Away Markets. Protected quotations of Away Markets have second priority.

(iii) Priority 1 - Market Orders. Unexecuted Market Orders have third priority.

(iv) Priority 3 - Non-Display Orders. Non-marketable Limit Orders for which the working price is not displayed, including reserve interest of Reserve Orders, have fourth priority.

(B) Reserved.

(C) The display price of Limit Orders to buy (sell) repriced under Rule 7.31E(a)(2)(C) will be the same as provided for in that rule, but the working price of such orders will be the same as the display price.

(D) If a Reserve Order to buy (sell) is displayed at a price that is locked or crossed by a protected offer (bid), the portion of the Reserve Order that is not displayed will be assigned a working price \$0.05 below (above) the protected offer (bid), but if routable, will route to a protected offer (bid) based on the limit price of the order.

(E) If the limit price of a resting Limit Non-Displayed Order to buy (sell) is equal to or higher (lower) than the PBO (PBB), it will have a working price \$0.05 below (above) the PBO (PBB).

(F) Orders with instructions not to route, as defined in Rule 7.31E(e):

(i) On arrival, orders with instructions not to route will trade with resting orders in the Exchange Book consistent with the terms of the order and the Trade-At Prohibition.

(a) On arrival, Day ISOs will be eligible for the exception set forth in paragraph (e)(4)(C)(ix) of this Rule.

(b) An IOC ISO to buy (sell) will not trade with orders to sell (buy) ranked Priority 1 - Market Orders or Priority 3 - Non-Display Orders that are the same price as a protected offer (bid) unless the limit price of such IOC ISO is higher (lower) than the price of protected offer (bid).

(ii) When being added to the Exchange Book, an MKT Only Order or ALO Order to buy (sell) with a limit price equal to or above (below) the PBO (PBB) will be assigned a display price and working price one MPV below (above) the PBO (PBB).

(iii) Once resting on the Exchange Book, an MKT Only Order or ALO Order to buy (sell) will not be eligible to trade with later-arriving orders to sell (buy) ranked Priority 2 - Display Orders priced equal to the PBO (PBB). A later arriving order to buy (sell) that is eligible to trade with the PBO (PBB) may trade before such resting order.

(G) The only orders eligible for the exception set forth in paragraph (e)(4)(C)(iii) of this Rule are Limit IOC Cross orders that meet the Block Size definition. A Limit IOC Cross Order that is at the same price as the PBBO but does not meet the Block Size definition will be rejected.

(H) Tracking Orders will be rejected.

**Commentary:**

.10 For purposes of the reporting requirement in Appendix B.II.(n), a Trading Center shall report "Y" to their DEA where it is relying upon the Retail Investor Order exception to Test Groups Two and Three, and "N" in all other instances.

.20 For purposes of Appendix B.I, the field "Affected by Limit-Up Limit-Down bands" shall be included. A Trading Center shall report a value of "Y" to their DEA when the ability of an order to execute has been affected by the Limit-Up Limit-Down (LULD) bands in effect at the time of order receipt. A Trading Center shall report a value of "N" to their DEA when the ability of an order to execute has not been affected by the LULD bands in effect at the time of order receipt. For purposes of Appendix B.I, the Participants shall classify all orders in Pilot and Pre-Pilot Securities that may trade in a foreign market as: (1) fully executed domestically or (2) fully or partially executed on a foreign market. For purposes of Appendix B.II, the Participants shall classify all orders in Pilot Securities and Pre-Pilot Data Collection Securities that may trade in a foreign market as: (1) directed to a domestic venue for execution; (2) may only be directed to a foreign venue for execution; or (3) fully or partially directed to a foreign venue at the discretion of the ETP Holder.

.30 (a) For purposes of Appendix B.I.a(14), B.I.a(15), B.I.a(21) and B.I.a(22), the time ranges shall be changed as follows:

(1) Appendix B.I.a(14A): The cumulative number of shares of orders executed from 100 microseconds to less than 1 millisecond after the time of order receipt;

(2) Appendix B.I.a(15): The cumulative number of shares of orders executed from 1 millisecond to less than 100 milliseconds after the time of order receipt;

(3) Appendix B.I.a(21A): The cumulative number of shares of orders canceled from 100 microseconds to less than 1 millisecond after the time of order receipt; and

(4) Appendix B.I.a(22): The cumulative number of shares of orders canceled from 1 millisecond to less than 100 milliseconds after the time of order receipt.

(b) For purposes of Appendix B.I.a(21) through B.I.a(27), unexecuted Immediate or Cancel orders shall be categorized separately irrespective of the duration of time after order receipt.



.40 For purposes of Appendix B.I.a(31)-(33), the relevant measurement is the time of order receipt.

.50 For purposes of Appendix B, the following order types and numbers shall be included and assigned the following numbers: "not held" orders (18); clean cross orders (19); auction orders (20); orders that cannot otherwise be classified, including orders received when the NBBO is crossed (21); and limit orders priced more than \$0.10 away from NBBO (22). For purposes of order types 12-14 in Appendix B, such order types shall include all orders and not solely "resting" orders.

.60 An ETP Holder shall not be deemed a Trading Center for purposes of Appendix B of the Plan where that ETP Holder only executes orders otherwise than on a national securities exchange for the purpose of: (i) correcting a bona fide error related to the execution of a customer order; (ii) purchases a security from a customer at a nominal price solely for purposes of liquidating the customer's position; or (iii) completing the fractional share portion of an order.

.70 A Trading Center shall begin the data collection required pursuant to Appendix B.I.a(1) through B.II.(y) of the Plan and Item I of Appendix C of the Plan on April 4, 2016. The requirement that the Exchange or their DEA provide information to the SEC within 30 days following month end and make certain data publicly available on the Exchange's or DEA's web site pursuant to Appendix B and C of the Plan shall commence at the beginning of the Pilot Period. With respect to data for the Pilot Period, the requirement that the Exchange or their DEA make certain data publicly available on the Exchange's or DEA's website pursuant to Appendix B and C to the Plan shall commence at the beginning of the Pilot Period. Notwithstanding the provisions of paragraphs (b)(2), (b)(3)(C) and (b)(5) of this Rule, the Exchange or their DEA shall make data for the Pre-Pilot Period publicly available on the Exchange's or DEA's website pursuant to Appendix B and C to the Plan by February 28, 2017.

.80 For purposes of Item I of Appendix C, the Participants shall calculate daily Market Maker realized profitability statistics for each trading day on a daily last in, first out (LIFO) basis using reported trade price and shall include only trades executed on the subject trading day. The daily LIFO calculation shall not include any positions carried over from previous trading days. For purposes of Item I.c of Appendix C, the Participants shall calculate daily Market Maker unrealized profitability statistics for each trading day on an average price basis. Specifically, the Participants must calculate the volume weighted average price of the excess (deficit) of buy volume over sell volume for the current trading day using reported trade price. The gain (loss) of the excess (deficit) of buy volume over sell volume shall be determined by using the volume weighted average price compared to the closing price of the security as reported by the primary listing exchange. In calculating unrealized trading profits, the Participant also shall report the number of excess (deficit) shares held by the Market Maker, the volume weighted average price of that excess (deficit), and the closing price of the security as reported by the primary listing exchange used in reporting unrealized profit.

.90 "Pre-Pilot Data Collection Securities" are the securities designated by the Participants for purposes of the data collection requirements described in Items I, II and 48 of 48 IV of Appendix B and Item I of Appendix C of the Plan for the period beginning six months prior to the Pilot Period through thirty-one days prior to the Pilot Period. The Participants shall compile the list of Pre-Pilot Data Collection Securities by selecting all NMS stocks with a market capitalization of \$5 billion or less, a Consolidated Average Daily Volume (CADV) of 2 million shares or less and a closing price of \$1 per share or more. The market capitalization and the closing price thresholds shall be applied to the last day of the pre-pilot measurement period, and the CADV threshold shall be applied to the duration of the pre-pilot measurement period. The Pre-Pilot measurement period shall be the three calendar months ending on the day when the Pre-Pilot Data Collection Securities are selected. The Pre-Pilot Data Collection Securities shall be selected thirty days prior to the commencement of the six-month Pre- Pilot Period.

.100 For purposes of Appendix B.IV, the count of the number of Market Makers used in the calculation of share (trade) participation shall be added to each category. For purposes of Appendix B.IV(b) and (c), share participation and trade participation shall be calculated by using a total count instead of a share-weighted average or a trade-weighted average. For purposes of Appendix B, B.IV(d) (cross-quote share (trade) participation), (e) (inside-the-quote share (trade) participation), (f) (at-the-quote share (trade) participation), and (g) (outside-the-quote share (trade) participation), shall be calculated by reference to the National Best Bid or National Best Offer in effect immediately prior to the trade.

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## **RULE 12E – [Reserved]ARBITRATION**

### **Rule 12E. Arbitration**

(a) Duty to Arbitrate. (i) Any dispute, claim or controversy between or among ETP Holders and/or associated persons shall be arbitrated pursuant to the FINRA Codes of Arbitration Procedure; and, (ii) any dispute, claim or controversy between a customer or non-member and an ETP Holder and/or associated person arising in connection with the business of such ETP Holder and/or in connection with the activities of an associated person, shall be arbitrated pursuant to FINRA Codes of Arbitration Procedure as provided by any duly executed and enforceable written agreement, or upon the demand of the customer or non-member. Such obligation to arbitrate shall extend only to those matters that are permitted to be arbitrated under FINRA Codes of Arbitration Procedure.

(b) Referrals. The Exchange may receive, investigate and take disciplinary action with respect to any referral it receives from a FINRA arbitrator of any matter which comes to the attention of such arbitrator during and in connection with the arbitrator's participation in a proceeding, either from the record of the proceeding or from material or communications related to the proceeding, that the arbitrator has reason to believe may constitute a violation of the Exchange's Rules or the federal securities laws.

(c) Failure to Arbitrate or to Pay an Arbitration Award. Any member organization or associated person who fails to submit to arbitration a matter required to be arbitrated pursuant to this Rule, or that fails to honor an arbitration award made pursuant to the FINRA Codes of Arbitration Procedure, or made under the auspices of any other self-regulatory organization, shall be subject to disciplinary proceedings in accordance with Rule 476, or the Rule 8000 and 9000 Series, as applicable.

(d) Other Actions. The submission of any matter to arbitration as provided for under this Rule shall in no way limit or preclude any right, action or determination by the Exchange that it would otherwise be authorized to adopt, administer or enforce.

## **RULE 13E –[Reserved]LIABILITY OF DIRECTORS AND EXCHANGE**

### **Rule 13.1E. Reserved**

### **Rule 13.2E. Liability of the Exchange**

(a) Except as otherwise expressly provided in these Rules, neither the Exchange nor its Directors, officers, committee members, employees or agents shall be liable to the ETP Holders of the Exchange or to persons associated therewith for any loss, expense, damages or claims that arise out of the use or enjoyment of the facilities or services afforded by the Exchange, any interruption in or failure or unavailability of any such facilities or services, or any action taken or omitted to be taken in respect to the business of the Exchange except to the extent such loss, expense, damages or claims are attributable to the willful misconduct, gross negligence, bad faith or fraudulent or criminal acts of the Exchange or its officers, employees or agents acting within the scope of their authority. The limitation of liability set forth in this paragraph shall not apply to violations of federal securities laws.

Without limiting the generality of the foregoing and subject to the same exception, the Exchange shall have no liability to any person for any loss, expense, damages or claims that result from any error, omission or delay in calculating or disseminating any current or closing index value, or any reports of transactions in or quotations for securities traded on the Exchange.

The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of any data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to reports of transactions in or quotations for securities traded on the Exchange, or reports index values or related data, and the Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose or use with respect to any such data. The foregoing limitations of liability and disclaimers shall be in addition to, and not in limitation of, any other provisions of the Bylaws or Rules.

(b) Whenever custody of an unexecuted order is transmitted by an ETP Holder to or through the Exchange's order routing systems, electronic book or automatic executions

systems or to any other automated facility of the Exchange whereby the Exchange assumes responsibility for the transmission or execution of the order, provided that the Exchange has acknowledged receipt of such order, the Corporation's liability for the negligent acts or omissions of its employees or for the failure of its systems or facilities shall not exceed the limits provided in this paragraph (b), and no assets of the Exchange shall be applied or shall be subject to such liability in excess of the following limits:

- (1) As to any one or more claims made by a single ETP Holder growing out of the use or enjoyment of the facilities afforded by the Corporation on a single trading day, the Exchange shall not be liable in excess of the larger of \$100,000, or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;
- (2) As to the aggregate of all claims made by all ETP Holders growing out of the use or enjoyment of the facilities afforded by the Exchange on a single trading day, the Exchange shall not be liable in excess of the larger of \$250,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange;
- (3) As to the aggregate of all claims made by all ETP Holders growing out of the use or enjoyment of the facilities afforded by the Exchange during a single calendar month, the Exchange shall not be liable in excess of the larger of \$500,000, or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

(c) If all of the claims arising out of the use or enjoyment of the facilities afforded by the Exchange cannot be fully satisfied because in the aggregate they exceed the applicable maximum amount of liability provided for in paragraph (b) above, then such maximum amount shall be allocated among all such claims arising on a single trading day or during a single calendar month, as applicable, written notice of which has been given to the Exchange no later than the opening of trading on the next business day following the day on which the use or enjoyment of the Exchange's facilities giving rise to the claim occurred, based on the proportion that each such claim bears to the sum of all such claims.

### **Rule 13.3E. Legal Proceedings Against Directors, Officers, Employees or Agents**

No ETP Holder or any other associated person shall institute a lawsuit or other legal proceeding against any Director, officer, employee, agent or other official of the Exchange or any subsidiary of the Exchange, for actions taken or omitted to be taken in connection with the official business of the Exchange or any subsidiary, except to the extent such actions or omissions constitute violations of federal securities laws for which a private right of action exists and except with respect to the Directors of the Exchange, to the extent inconsistent with the Certificate of Incorporation. This Rule shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

### **Rule 13.4E. Exchange's Costs of Defending Legal Proceedings**

Any ETP Holder or any other associated person who fails to prevail in a lawsuit or other legal proceeding instituted by such person against the Exchange or any of its Directors, officers, committee members, employees or agents, and related to the business of the Exchange, shall pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding, but only in the event that such expenses exceed Fifty Thousand Dollars (\$50,000.00). This provision shall not apply to disciplinary actions by the Exchange, to administrative appeals of actions of the Exchange or in any specific instance where the Board of Directors has granted a waiver of this Rule.

### **General Rules (Rules 1 - Equities—38 - Equities)**

#### **Definitions of Terms (Rules 1 - Equities—19 - Equities)**

#### **Rule 1 - Equities. "The Exchange and Related Entities"**

*This Rule is not applicable to trading on the Pillar trading platform.*

The term "the Exchange," when used with reference to the administration of any rule, means NYSE MKT LLC or the officer, employee, person, entity or committee to whom appropriate authority to administer such rule has been delegated by the Exchange.

Unless otherwise indicated in the rule, the terms Board, Board of Directors, Chairman, Chairman of the Board, Chief Executive Officer, or CEO refer to the Board, Board of Directors, Chairman, Chairman of the Board, Chief Executive Officer and CEO of the Exchange.

The CEO or the Chief Regulatory Officer ("CRO") of the Exchange may formally designate one or more qualified employees of ICE to act in place of any person named in a rule as having authority to act under such rule in the event that the named person in the rule is not available to administer that rule. For purposes of a designation by the CEO, a qualified employee is: 1) any officer of ICE that the CEO deems to possess the requisite knowledge and job qualifications to administer that rule; or 2) any employee of the Exchange that the CEO and the Board of Directors deems to possess the requisite knowledge and job qualifications to administer that rule. For purposes of a designation by the CRO, a qualified employee is: 1) any Exchange officer that the CRO deems to possess the requisite knowledge and job qualifications to administer that rule; or 2) an Exchange employee that the CRO and the Board of Directors deems to possess the requisite knowledge and job qualifications to administer that rule.

#### **Rule 2 - Equities. "Member," "Membership," "Member Firm," etc.**

*Paragraphs (a), (i), and (j) of this Rule are not applicable to trading on the Pillar trading platform.*

(a) The term "member," when used to denote a natural person approved by the Exchange, means a natural person associated with a member organization who has been approved by the Exchange and designated by such member organization to effect transactions on the floor of the Exchange or any facility thereof.

(b)(i) The term "member organization" means a registered broker or dealer (unless exempt pursuant to the Securities Exchange Act of 1934) (the "Act") that is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") or another registered securities exchange. Member organizations that transact business with public customers or conduct business on the Floor of the Exchange shall at all times be members of FINRA. A registered broker or dealer must also be approved by the Exchange and authorized to designate an associated natural person to effect transactions on the floor of the Exchange or any facility thereof. This term shall include a natural person so registered, approved and licensed who directly effects transactions on the floor of the Exchange or any facility thereof.

(ii) The term "member organization" also includes any registered broker or dealer that is a member of FINRA or a registered securities exchange, consistent with the requirements of section 2(b)(i) of this Rule, which does not own a trading license and agrees to be regulated by the Exchange as a member organization and which the Exchange has agreed to regulate.

(iii) The term "member organization" includes "member firm" and "member corporation."

(c) The term "approved person" means a person (excluding a member, principal executive or employee of a member organization, or governmental entity) who controls a member organization, is engaged in a securities or kindred business that is controlled by a member or member organization, or is a U.S. registered broker-dealer under common control with a member organization. "Governmental entity" means a sovereign nation, state, or territory, or other political subdivision, agency, or instrumentality thereof.

(d) The term "person" shall mean a natural person, corporation, limited liability company, partnership, association, joint stock company, trust, fund or any organized group of persons whether incorporated or not.

(e) The term "control" means the power to direct or cause the direction of the management or policies of a person whether through ownership of securities, by contract or otherwise. A person shall be presumed to control another person if such person, directly or indirectly,

(i) has the right to vote 25 percent or more of the voting securities,

(ii) is entitled to receive 25 percent or more of the net profits, or

(iii) is a director, general partner or principal executive (or person occupying a similar status or performing similar functions) of the other person.

Any person who does not so own voting securities, participate in profits or function as a director, general partner or principal executive of another person shall be presumed not to control such other person. Any presumption may be rebutted by evidence, but shall continue until a determination to the contrary has been made by the Exchange.

(f) The term "engaged in a securities or kindred business" shall mean transacting business generally as a broker or dealer in securities, including but not limited to, servicing customer accounts or introducing them to another person.

(g) The term "State" shall mean any state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States.

(i) The term "Designated Market Maker" ("DMM") shall mean an individual member, officer, partner, employee or associated person of a Designated Market Maker Unit who is approved by the Exchange to act in the capacity of a DMM.

(j) The term "DMM unit" is a member organization or unit within a member organization that has met the requirements of Rule 98 - Equities and 103 - Equities. For purposes of Exchange rules and notwithstanding the foregoing, the term "DMM unit" shall be interchangeable with the terms "DMM organization" or "DMM member organization."

• • • **Supplementary Material:** -----

.10 A registered broker dealer that is approved or deemed approved as a member organization of New York Stock Exchange LLC ("NYSE") pursuant to NYSE Rule 2(b) shall be approved as an Exchange member organization pursuant to Exchange Rule 2(b).

.20 A natural person who has been approved or deemed approved as a member by NYSE pursuant to NYSE Rule 2(a) and has been designated by an NYSE member organization to effect transactions on the Floor of the NYSE shall be approved as an Exchange member pursuant to Exchange Rule 2(a).

**Rule 2A - Equities. Jurisdiction**

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(b)(1) The Exchange may approve applications for the listing of securities and the admission of such securities, including securities on a `when issued' or `when distributed' basis, to dealings on the Exchange, and may suspend dealings in such securities and may remove the same from listing.

(2) The Exchange may also approve, suspend or remove the trading of any [Nasdaq] UTP Security, as that term is defined under Rule [501 – Equities]1.1E, admitted to dealings on the Exchange.

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### **Rule 3 - Equities. 'Security'**

*This Rule is not applicable to trading on the Pillar trading platform.*

The term `security' or `securities' shall have the meaning given those terms in the Securities Exchange Act of 1934, as amended, and the General Rules and Regulations thereunder.

### **Rule 4 - Equities. `Stock'**

*This Rule is not applicable to trading on the Pillar trading platform.*

The term `stock' includes voting trust certificates, certificates of deposit for stocks, rights, warrants, and other securities of a type classified for trading as stocks by the Exchange.

### **Rule 5 - Equities. 'Bond'**

*This Rule is not applicable to trading on the Pillar trading platform.*

The term "bond" includes debentures, notes, certificates of deposit for bonds, debentures or notes, and other securities of a type classified for trading as bonds by the Exchange.

### **Rule 6 - Equities. `Floor'**

*This Rule is not applicable to trading on the Pillar trading platform.*

The term "Floor" means the trading floor of the Exchange and the premises immediately adjacent thereto, such as the various entrances and lobbies of the 11 Wall Street, 18 New Street, 8 Broad Street, 12 Broad Street and 18 Broad Street Buildings, and also means the telephone facilities available in these locations.

### **Rule 6A - Equities. `Trading Floor'**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) The term "Trading Floor" means the restricted-access physical areas designated by the Exchange for the trading of securities, commonly known as the "Main Room" and the "Buttonwood Room."



(b) The Exchange's Trading Floor does not include (i) the areas in the "Buttonwood Room" designated by the Exchange for the trading of its listed options securities, which, for the purposes of the Exchange's Equities Rules, shall be referred to as the "NYSE Amex Options Trading Floor" or (ii) the physical area within fully enclosed telephone booths located in 18 Broad Street at the Southeast wall of the Trading Floor.

#### **Rule 7 - Equities. Exchange BBO**

*This Rule is not applicable to trading on the Pillar trading platform.*

The term "Exchange BBO" shall refer to the best bid or offer disseminated to the Consolidated Quotation System ("CQS") by the Exchange.

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#### **Rule 11 - Equities. Effect of Definitions**

*This Rule is not applicable to trading on the Pillar trading platform.*

Unless the context requires otherwise, the terms defined in Exchange Rules shall, for all purposes of the Exchange Rules, have the meanings therein specified.

#### **Rule 12 - Equities. 'Business Day'**

*This Rule is not applicable to trading on the Pillar trading platform.*

Except as may be otherwise determined by the Exchange as to particular days, the term 'business day' means any day on which the Exchange is open for business: provided, however, on any business day that the banks, transfer agencies and depositories for securities in New York State are closed:

- (1) Except for orders containing non-regular way settlement instructions pursuant to Rule 14, deliveries or payments ordinarily due on such a day shall be due on the following business day;
- (2) such a day shall not be considered as a business day in determining the day for settlement of a contract, the day on which stock shall be quoted ex-dividend or ex-rights, or in computing interest on contracts in bonds or premiums on loans of securities; and
- (3) the right to mark to the market or to make reclamation (other than 'cash' contracts made on such a day) shall not be exercised on such a day.

For list of holidays on which the Exchange will not be open for business see Rule 51 - Equities.

#### **Rule 13 - Equities. Orders and Modifiers**

*This Rule is not applicable to trading on the Pillar trading platform.*

Unless otherwise specified in this Rule, Rule 70 (for Floor brokers), or Rule 104 (for DMMs), orders and modifiers are available for all member organizations.

(a) Primary Order Types. All orders entered electronically at the Exchange are eligible for automatic execution consistent with the terms of the order and Rules 1000 - 1004 - Equities. Interest represented manually by a Floor broker is not eligible for automatic execution.

(1) Market Order. A Market Order that is eligible for automatic executions is an unpriced order to buy or sell a stated amount of a security that is to be traded at the best price obtainable without trading through the NBBO.

(A) Definitions for purposes of Market Orders:

(i) The term "Away Market" means any exchange with which the Exchange maintains an electronic linkage and which provides instantaneous responses to order routed from the Exchange.

(ii) The term "NBBO" means the national best bid or offer and the terms "NBB" means the national best bid and "NBO" means the national best offer.

(iii) the term "working price" means the price at which an order is eligible to trade at any given time.

(iv) The term "MPV" means the minimum price variation for quoting and entry of orders as specified in Supplementary Material .10 to Rule 62 - Equities.

(B) When the Exchange is open for continuous trading, a Market Order will operate as follows:

(i) A Market Order will be rejected on arrival or cancelled if resting if there is no contra-side NBBO.

(ii) On arrival, a Market Order to buy (sell) is assigned a working price of the NBO (NBB) and will trade with all sell (buy) orders on the Exchange priced at or below (above) the NBO (NBB) before routing to the NBO (NBB) on an Away Market. The quantity of a Market Order to buy (sell) not traded or routed will remain undisplayed on the Exchange at a working price of the NBO (NBB) and be eligible to trade with incoming sell (buy) orders at that price. When the NBO (NBB) is updated, the Market Order to buy (sell) will be assigned a new working price of the updated NBO (NBB) and will trade with all sell (buy) orders on the Exchange priced at or below (above) the updated NBO (NBB) before routing to the updated NBO (NBB) on an Away

Market. Such assessment will continue at each new contra-side NBBO until the order is filled or a Trading Collar is reached. If the NBBO becomes locked or crossed either on arrival or while the order is held undisplayed, the Market Order to buy (sell) will be assigned a working price of the NBB (NBO).

- (iii) Unexecuted Market Orders that are held undisplayed in Exchange systems will not be available to the DMM either as part of the aggregated interest at a price point or in disaggregated form and will not participate in intra-day manual executions.

(C) A Market Order will participate in auctions as follows:

- (i) A Market Order that was entered before the opening of trading, or was entered before or during a halt, pause, or suspension in trading, will be made available to the DMM as provided for in Rule 104(a)(2) and (3) - Equities and will be included in Order Imbalance Information and allocated in the applicable auction as a Market Order.
- (ii) A Market Order that was entered during continuous trading and remains unexecuted for the close will be made available to the DMM as provided for in Rule 104(a)(3) - Equities and will be included in Order Imbalance Information and allocated in the closing transaction as a Limit Order with its limit price being the last working price assigned to the unexecuted Market Order.
- (iii) During a Short Sale Period, as defined in Rule 440B(d) - Equities, a short sale Market Order re-priced to a Permitted Price, as defined in Rule 440B(e) - Equities, will be made available to the DMM as provided for in Rules 104(a)(2) and (3) - Equities and will be included in Order Imbalance Information and allocated in the applicable auction as a Limit Order with its limit price being the last Permitted Price assigned to the short sale Market Order.

(D) For Market Orders that are not eligible for automatic executions, a Market Order is an order to buy or sell a stated amount of a security at the most advantageous price obtainable after the order is represented in the Trading Crowd or routed to Exchange systems. If a Market Order to sell has exhausted all eligible buy interest, any unfilled balance of the Market Order to sell will be cancelled.

- (2) Limit Order. An order to buy or sell a stated amount of a security at a specified price or better. A marketable Limit Order is a Limit Order to buy (sell) at or above (below) the Exchange best offer (bid) for the security.

(A) Limit Order Price Protection. A Limit Order to buy (sell) will be rejected if it is priced at or above (below) a specified percentage away from the NBO (NBB).

(i) If the NBB or the NBO is greater than \$0.00 up to and including \$25.00, the specified percentage will be 10%. If the NBB or NBO is greater than \$25.00 up to and including \$50.00, the specified percentage will be 5%. If the NBB or NBO is greater than \$50.00, the specified percentage will be 3%. If the NBBO is crossed, the Exchange will use the Exchange Best Offer ("BO") instead of the NBO for buy orders and the Exchange Best Bid ("BB") instead of the NBB for sell orders. If the NBBO is crossed and there is no BO (BB), Limit Order Price Protection will not be applied to an incoming Limit Order to buy (sell). Limit Order Price Protection will also not be applied to an incoming Limit Order to buy (sell) if there is no NBO (NBB). If the specified percentage is not in the minimum price variation ("MPV") for the security, as defined in Supplemental Material .10 to Rule 62, it will be rounded down to the nearest price at the applicable MPV.

(ii) Limit Order Price Protection will be applicable only when automatic executions are in effect. Limit Order Price Protection will not be applicable: (a) before a security opens for trading or during a trading halt or pause; (b) during a trading suspension; (c) to incoming Auction Only Orders; and (d) to high-priced securities, as defined in Rule 1000 (a)(iii) – Equities.

(b) Time in Force Modifiers

(1) Day. A Market Order or Limit Order that, if not executed, expires at the end of the 9:30 a.m. to 4:00 p.m. trading session on the day on which it was entered.

(2) Immediate or Cancel ("IOC").

(A) Regulation NMS-compliant IOC Order: A Limit Order designated IOC that will be automatically executed against the displayed quotation up to its full size and sweep the Exchange's book, as provided in Rule 1000 - Equities, to the extent possible without being routed elsewhere for execution, and the portion not so executed will be immediately and automatically cancelled. A Regulation NMS-compliant IOC Order must be designated in the manner provided by the Exchange. If not so designated, the order will be treated as an Exchange IOC Order.

(B) Exchange IOC Order: A Limit Order designated IOC that will be automatically executed against the displayed quotation up to its full size and sweep the Exchange book, as provided in Rule 1000 - Equities to the extent possible, with portions of the order routed to other markets if an execution would trade through a protected quotation, in compliance with Regulation

NMS. The portion of the order not so executed will be immediately and automatically cancelled.

(C) IOC-MTS Order: Any order with an IOC modifier, including an ISO, may include a minimum trade size ("MTS") instruction. For each incoming IOC-MTS order, Exchange systems will evaluate whether contra-side displayable and nondisplayable interest on Exchange systems can meet the MTS and will reject such incoming IOC-MTS order if Exchange contra-side volume cannot meet the MTS. An Exchange IOC order with an MTS may result in an execution in an away market. The Exchange will reject any IOC-MTS orders if the security is not open for trading, or if auto-execution is suspended.

(D) Any IOC order without an MTS may be entered before the Exchange opening for participation in the opening trade. If not executed as part of the opening trade, the order, or part thereof, will be immediately and automatically cancelled.

(E) An Exchange IOC Order without an MTS received during a trading halt will be held for participation in the reopening trade. If not executed as part of the reopening trade, the order, or part thereof, will be immediately and automatically cancelled.

(c) Auction-Only Orders

(1) Closing Offset ("CO") Order. A day Limit Order to buy or sell as part of the closing transaction where the eligibility to participate in the closing transaction is contingent upon: (i) an imbalance in the security on the opposite side of the market from the CO Order; (ii) after taking into account all other types of interest eligible for execution at the closing price, there is still an imbalance in the security on the opposite side of the market from the CO Order; and (iii) the limit price of the CO Order being at or within the price of the closing transaction. CO Orders eligible to participate in the closing transaction are executed in time priority of receipt by Exchange systems, up to the size of the imbalance in the security, on the opposite side of the market from the CO Order. Any eligible CO Orders not executed due to trading halt (as defined in Rule 123D - Equities) or insufficient volume of the contra side imbalance will be cancelled.

(2) Limit-on-Close ("LOC") Orders. An LOC Order is a Limit Order in a security that is entered for execution at the closing price of the security on the Exchange provided that the closing price is at or within the specified limit. If not executed due to a trading halt or because, by its terms it is not marketable at the closing price, the order will be cancelled.

(3) Limit-on-Open ("LOO") Orders. A LOO Order is a Limit Order in a security that is to be executed on the opening or reopening trade of the security on the Exchange. A LOO Order, or part thereof, will be immediately and automatically

cancelled if by its terms it is not marketable at the opening price, it is not executed on the opening trade of the security on the Exchange, or if the security opens on a quote. LOO Orders can be entered before the open to participate on the opening trade or during a trading halt or pause to participate on a reopening trade.

(4) Market-on-Close ("MOC") Orders. An MOC Order is a Market Order in a security that, by its terms, is to be executed in its entirety at the closing price. If not executed due to tick restrictions or a trading halt the order will be cancelled.

(5) Market-on-Open ("MOO") Orders. A MOO Order is a Market Order in a security that is to be executed in its entirety on the opening or reopening trade of the security on the Exchange. A MOO Order will be immediately and automatically cancelled if the security opens on a quote. MOO Orders can be entered before the open to participate on the opening trade or during a trading halt or pause to participate on a reopening trade.

(d) Orders with Instructions Not to Display All or a Portion of the Order

(1) Mid-Point Passive Liquidity ("MPL") Order

(A) An MPL Order is an undisplayed Limit Order that automatically executes at the mid-point of the protected best bid or offer ("PBBO"). An MPL Order is not eligible for manual executions, openings, re-openings, or closing transactions. An MPL Order will interact with incoming orders, including another MPL Order, but not an incoming Limit Order designated ALO. An MPL Order will not execute if the market is locked or crossed. When the market unlocks or uncrosses, the Exchange will execute all eligible MPL Orders, excluding MPL-ALO Orders described in paragraph (d)(1)(E), and other hidden interest eligible to execute at the midpoint of the PBBO. An MPL Order may execute at prices out to four decimals. An MPL Order will not be eligible to trade if it would trade at a price below \$1.00 or if the execution price would be out to five decimal places above \$1.00. MPL Orders are allocated consistent with Rule 72- Equities. The time priority of an MPL Order is based on its time of entry into Exchange systems and does not reset when an MPL Order's price shifts due to changes in the PBBO.

(B) The following interest may not be designated as an MPL Order:

- (i) DMM interest entered via the Capital Commitment Schedule pursuant to Rule 1000 - Equities;
- (ii) d-Quotes;
- (iii) Pegging Interest;

(iv) Retail Orders or Retail Price Improvement Orders, as defined in Rule 107C - Equities.

(C) An MPL Order may include a Minimum Triggering Volume ("MTV") and will not be eligible to trade unless the aggregated contra-side quantity of all interest marketable at the mid-point of the PBBO is equal to or greater than the MPL Order's MTV. There will not be a guaranteed trade size based on the MTV. Exchange systems will enforce an MTV restriction even if the unexecuted portion of an MPL Order with an MTV is less than the MTV. An MPL Order that includes an MTV will be rejected if it also includes an STP designation.

(D) An MPL Order with an STP Modifier will never execute against either another MPL Order or non-MPL Order with an STP Modifier with the same MPID. Exchange systems will cancel an MPL Order with an STP Modifier based only on another MPL Order with an STP modifier with the same MPID. If an MPL Order with an STP Modifier would participate in an execution with a non-MPL Order with an STP Modifier with the same MPID, the MPL Order will be deemed ineligible and will not be elected to participate in the trade.

(E) An MPL Order with an ALO Modifier ("MPL-ALO Order") will not execute on arrival even if marketable, except a non-marketable MPL-ALO Order may trigger a d-Quote. An MPL-ALO Order will remain non-displayed until triggered to trade by arriving marketable interest. If triggered to trade, an MPL-ALO Order will be eligible to trade with both arriving and resting contra-side interest, but will not trade with a contra-side MPL-ALO Order. If an MPL-ALO Order trades with resting interest, the MPL-ALO Order will be considered the liquidity providing order. A resting MPL-ALO Order is not eligible to trade when same-side arriving interest triggers a trade with contra-side interest. An MPL-ALO Order must be at least one round lot.

## (2) Reserve Orders

(A) As used in this rule, the term "displayable" shall mean that portion of a nonmarketable Reserve Order that would be published as, or as part of, the Exchange BBO. The term "displayed interest" includes that part of a Reserve Order that is published as, or as part of, the Exchange BBO.

(B) The term "Reserve Order" shall mean a Limit Order entered into Exchange systems that may contain displayable and non-displayable interest.

(C) Minimum Display Reserve Order. A "Minimum Display Reserve Order" is a Limit Order that shall have a portion of the interest displayed when the order is or becomes the Exchange BBO and a portion of the interest (reserve interest) that is not displayed. When executions of the displayed interest reduce that portion below the interest designated to be displayed, the reserve interest will

replenish the displayed interest. A Minimum Display Reserve Order must have a minimum of one round lot displayable. Each time a Minimum Display Reserve Order is replenished from reserve interest, a new time-stamp is created for the replenished portion of that Minimum Display Reserve Order, while the reserve interest retains the time-stamp of its original entry. The portion of the interest displayed when the order is or becomes the Exchange BBO is included in the information available for dissemination by the DMM. A Minimum Display Reserve Order shall participate in both automatic and manual executions.

(D) Non-Displayed Reserve Order. A "Non-Displayed Reserve Order" is a Limit Order that is not displayed, but remains available for potential execution against all incoming automatically executing orders until executed in full or cancelled. A Non-Displayed Reserve Order shall not participate in manual executions.

(E) The reserve interest of a Reserve Order is available for execution only after all displayable interest at that price point has been executed. If an execution takes place at a price that is other than the Exchange BBO, all available reserve interest of a Reserve Order will trade on parity with other reserve interest at that price point after all displayable interest has been executed in accordance with Rule 72 - Equities. For executions that take place at a price point other than the Exchange BBO, reserve interest will not replenish the displayable portion of a Minimum Display Reserve Order.

(e) Orders with Instructions Not to Route

(1) Add Liquidity Only ("ALO") Modifier

(A) An order designated ALO does not route and will not remove liquidity from the Exchange's book. ALO modifiers are available for day Limit Orders and MPL Orders. MPL Orders designated ALO are governed by paragraph (d)(1)(E) of this Rule. Limit Orders designated ALO may participate in openings, re-openings, or closings, but the ALO designation shall be ignored. Upon entry, Limit Orders designated ALO must have a minimum of one displayable round lot.

(B) If, at the time of entry, a Limit Order designated ALO is marketable against Exchange interest or would lock or cross a protected quotation in violation of Rule 610(d) of Regulation NMS, the order shall be re-priced and displayed one minimum price variation, as defined in supplementary material .10 to Rule 62 - Equities, below the best-priced sell interest (for bids) or above the best-priced buy interest (for offers). If the best-priced sell interest is re-priced higher, an order to buy designated ALO shall be re-priced and re-displayed higher, up to its limit price. If the best-priced buy interest is re-priced lower, an order to sell designated ALO shall be re-priced and re-displayed lower, down to its limit



price. A limit order designated ALO shall not be re-priced if it is displayed at its limit price or if the best-priced sell interest is re-priced lower (for bids) or if the best-priced buy interest is re-priced higher (for offers). A Limit Order designated ALO shall receive a new time stamp each time it is re-priced and re-displayed.

(C) The following interest may not be designated ALO:

- (i) DMM interest entered via the Capital Commitment Schedule;
- (ii) d-Quotes;
- (iii) Sell "Plus" - Buy "Minus" Orders;
- (iv) Non-Display Reserve Orders or Non-Display Reserve e-Quotes; or
- (v) Retail Orders or Retail Price Improvement Orders.

(D) A Limit Order designated ALO shall not trigger a contra-side MPL Order to trade.

(2) Do Not Ship ("DNS") Order. A Limit Order to buy or sell that is to be quoted and/or executed in whole or in part on the Exchange. An order so marked, or part thereof, will be immediately and automatically cancelled if compliance with Exchange rules or federal securities laws requires that all or part of such order be routed to another market center for execution. If quoting a DNS order will cause the locking or crossing of another market center in violation of Rule 19 - Equities (Locking or Crossing Protected Quotations in NMS Stocks), the DNS order will be immediately and automatically cancelled. When a DNS order is not eligible to be traded, the order will be placed on Exchange systems at its limit price.

(3) Intermarket Sweep Order ("ISO")

(A) An ISO is a Limit Order designated for automatic execution in a particular security that is never routed to an away market, may trade through a protected bid or offer, and will not be rejected or cancelled if it would lock, cross, or be marketable against an away market provided that it meets the following requirements:

- (i) It is identified as an ISO in the manner prescribed by the Exchange; and
- (ii) Simultaneously with the routing of an ISO to the Exchange, one or more additional Limit Orders, as necessary, are routed to execute against the full displayed size of any protected bid (as defined in (e)(3)(D), below) in the case of a limit order to sell, or the full displayed size of any protected offer

(as defined in (e)(3)(D), below) in the case of a Limit Order to buy. These additional routed orders must be identified as ISOs.

- (B) An ISO designated IOC ("IOC ISO") will be immediately and automatically executed against the displayed bid (offer) up to its full size in accordance with and to the extent provided by Exchange Rules 1000 - 1004 - Equities and will then sweep the Exchange's book as provided in Rule 1000(d)(iii) - Equities, and the portion not so executed will be immediately and automatically cancelled.
- (C) An ISO designated day ("Day ISO"), if marketable upon arrival, will be immediately and automatically executed against the displayed bid (offer) up to its full size in accordance with and to the extent provided by Exchange Rules 1000 - 1004 - Equities and will then sweep the Exchange's book as provided in Rule 1000(d)(iii) - Equities. Any unexecuted portion of a Day ISO shall be posted to the Exchange's book at its limit price and may lock or cross a protected quotation that was displayed at the time of arrival of the Day ISO. Upon entry, a Day ISO must have a minimum of one displayable round lot and may be designated ALO.
  - (i) If after posting to the Book, a Day ISO would lock or cross a protected quotation in violation of Rule 610(d) of Regulation NMS, the Exchange shall re-price and re-display the Day ISO consistent with paragraph (e)(1)(B) in this Rule.
  - (ii) A Day ISO designated ALO that is marketable upon arrival against Exchange interest shall be re-priced and displayed one minimum price variation, as defined in supplementary material .10 to Rule 62 - Equities, below the Exchange's best-priced non- MPL Order sell interest (for bids) or above the Exchange's best-priced non-MPL Order buy interest (for offers). After being displayed on the Exchange's book, a Day ISO designated ALO shall be re-priced and re-displayed consistent with paragraph (e)(1)(B) in this Rule.
- (D) A "protected bid or offer," as defined in Section 242.600(b)(57) of Regulation NMS, means a quotation in a Regulation NMS stock that:
  - (i) is displayed by an automated trading center, as defined in Section 242.600(b)(4) of Regulation NMS;
  - (ii) is disseminated pursuant to an effective national market system plan, as defined in Section 242.600(b)(43) of Regulation NMS; and
  - (iii) is an automated quotation, as defined in Section 242.600(b)(3) of Regulation NMS, that is the best bid or offer of another market center, as defined in Section 242.600(b)(38).

(E) Sell "Plus" - Buy "Minus" Orders, Non-Display Reserve Orders, and Non-Display Reserve e-Quotes may not be entered as an IOC ISO or Day ISO.

(f) Additional Order Instructions and Modifiers:

(1) Pegging Interest

(A) "Pegging interest" means displayable or non-displayable interest to buy or sell at a price set to track the best protected bid ("PBB") or the best protected offer ("PBO") (collectively, the "PBBO") as the PBBO changes and:

(i) must be an e-Quote or d-Quote, provided that:

(a) such interest does not include a sell "plus" or buy "minus" instruction;

(b) Exchange systems shall reject a pegging e-Quote or d-Quote that is entered 10 seconds or less before the scheduled close of trading; and

(c) discretionary instructions associated with a pegging d-Quote shall move as the d-Quote pegs to the PBBO, subject to any price range and limit price that may be specified;

(ii) shall peg only when auto-quoting is active;

(iii) shall peg only to prices based on:

(a) a protected bid or offer, which may be available on the Exchange or an away market, or

(b) interest that establishes a price on the Exchange; and

(iv) shall peg only within the specified price range of the pegging interest.

(a) If the PBBO is not within the specified price range, the pegging interest shall instead peg to the next available best-priced displayable interest that is within the specified price range.

(b) Buy (sell) pegging interest that has reached its specified price range shall remain at that price if the PBBO goes beyond such price range. If the PBBO returns to a price within the specified price range, the pegging interest shall resume pegging.

(B) Pegging interest to buy (sell) that pegs to the PBB (PBO) and:

(i) shall not peg to the PBB (PBO) if the PBBO is locked or crossed or to a price that is locking or crossing the Exchange best offer (bid), but instead

shall peg to the next available best-priced displayable interest that would not lock or cross the Exchange best offer (bid) or the PBO (PBB);

(ii) shall not establish or sustain a PBB (PBO) as a result of pegging;

(iii) may establish an Exchange best bid (offer);

(iv) may be designated with a minimum size of same-side volume to which such pegging interest shall peg. If the PBBO cannot meet the minimum size designation, the pegging interest will peg to the next available best-priced displayable interest without regard to size; and

(v) if it includes ALO Modifier instructions, shall not peg to a price that would result in it executing before displaying and shall instead peg one minimum price variation below (above) the undisplayed Exchange sell (buy) interest against which it would have otherwise executed.

## (2) Retail Modifier

(A) An order designated with a "retail" modifier is an agency order or a riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a member organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. An order with a "retail" modifier is separate and distinct from a "Retail Order" under Rule 107C - Equities.

(B) "Retail" modifier designation. A member organization shall designate an order as "retail" in a form and/or manner prescribed by the Exchange.

(C) To submit a "retail" order, a member organization must submit an attestation, in a form prescribed by the Exchange, that substantially all orders submitted as "retail" will qualify as such under paragraph (f)(4)(A) above.

(D) A member organization must have written policies and procedures reasonably designed to assure that it will only designate orders as "retail" if all requirements of paragraph (f)(4)(A) above are met. Such written policies and procedures must require the member organization to (i) exercise due diligence before entering a "retail" order to assure that entry as a "retail" order is in compliance with the requirements of paragraph (f)(4)(A) above, and (ii) monitor whether orders entered as "retail" orders meet the applicable requirements. If a member organization represents "retail" orders from another broker-dealer customer, the member organization's supervisory procedures must be reasonably designed to assure that the orders it receives from such broker-dealer customer that it designates as "retail" orders meet the definition

of a "retail" order in paragraph (f)(4)(A) above. The member organization must (i) obtain an annual written representation, in a form acceptable to the Exchange, from each broker-dealer customer that sends it orders to be designated as "retail" orders that entry of such orders as "retail" orders will be in compliance with the requirements of paragraph (f)(4)(A) above; and (ii) monitor whether its broker-dealer customer's "retail" order flow meets the applicable requirements.

(E) Failure to Abide by Requirements.

- (i) If a member organization designates orders submitted to the Exchange as "retail" orders and the Exchange determines, in its sole discretion, that such orders fail to meet any of the requirements set forth in paragraph (f)(4)(A) - (D) above, the Exchange may disqualify a member organization from submitting "retail" orders.
- (ii) Disqualification Determinations. The Exchange shall determine if and when a member organization is disqualified from submitting "retail" orders. When disqualification determinations are made, the Exchange shall provide a written disqualification notice to the member organization.
- (iii) Appeal and/or Resubmission of Attestation. A member organization that is disqualified under this paragraph (f)(4)(E) may: (A) appeal such disqualification as provided in paragraph (f)(4)(F) below; and/or (B) resubmit the attestation described in paragraph (f)(4)(C) above 90 days after the date of the disqualification notice from the Exchange.

(F) Appeal of Disqualification.

- (i) If a member organization disputes the Exchange's decision to disqualify it from submitting "retail" orders, the member organization may request, within five business days after notice of the decision is issued by the Exchange, that the "retail" order "Hearing Panel" review the decision to determine if it was correct.
- (ii) The Hearing Panel shall consist of the NYSE's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and two officers of the Exchange designated by the Chief Executive Officer of ICE Group.
- (iii) The Hearing Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.
- (iv) The Hearing Panel may overturn or modify an action taken by the Exchange under this Rule. A determination by the Hearing Panel shall constitute final action by the Exchange.

### (3) Self-Trade Prevention ("STP") Modifier

(A) An incoming order designated with an STP modifier will be prevented from executing against a resting opposite-side order also designated with an STP modifier with the same market participant identifier ("MPID"). The STP modifier on the incoming order controls the interaction between two orders marked with STP modifiers. An incoming order with an STP modifier will execute against all available opposite-side interest in Exchange systems, displayed or non-displayed, pursuant to Rule 72 - Equities, and will be evaluated for cancellation by Exchange systems only to the extent that it would execute against opposite-side interest with an STP modifier with the same MPID. For the purposes of this Rule, "incoming order" means: (i) orders that have arrived at the Exchange, including those orders that have been routed to an away market and returned to the Exchange unexecuted; and (ii) orders that are repriced due to the operation of Limit Up/Limit Down price bands or Short Sale Restrictions, as well as tick sensitive instructions.

(B) Eligible Order Types. The STP modifier is available for Limit Orders and Market Orders entered by off-Floor participants, and for e-Quotes, pegging e-Quotes, and g-Quotes. Exchange systems shall reject all MTS-IOC orders with an STP modifier. The STP modifier is not available for d-Quotes or DMM interest. STP modifiers will not be active and will be ignored for RPI, Floor broker cross, opening, re-opening, and closing transactions. STP modifiers will not be active for Type 1 designated Retail Orders in all situations and will be ignored. STP modifiers will not be active for Type 2 and Type 3 designated Retail Orders when they first interact with contra-side RPI, however once they enter the Exchange's system to be executed as an Immediate or Cancel Order, normal processing of the STP modifier will occur.

#### (C) STP Modifiers.

(i) STP Cancel Newest ("STPN"). An incoming order marked with the STPN modifier will not execute against opposite-side resting interest marked with any of the STP modifiers with the same MPID. After executing against any resting opposite-side interest that does not have an STP modifier with the same MPID, the remaining balance, if any, of the incoming order marked with the STPN modifier will be cancelled back to the originating member organization at the first price point where there is opposite-side interest marked with any of the STP modifiers with the same MPID. The resting interest marked with one of the STP modifiers will remain in Exchange systems.

(ii) STP Cancel Oldest ("STPO"). An incoming order marked with the STPO modifier will not execute against opposite-side resting interest marked with any of the STP modifiers with the same MPID. At each price point where an incoming STPO order is eligible to execute, all resting interest marked with

the matching STP modifier will be cancelled back to the originating member organization. The remaining balance, if any, of the incoming order marked with one of the STP modifiers will remain in Exchange systems unless marked as an immediate or cancel order.

(4) Buy Minus Zero Plus Instruction

- (A) An order with an instruction to Buy Minus Zero Plus will not trade at a price that is higher than the last sale, subject to the limit price of an order, if applicable.
- (B) Buy Minus Zero Plus instructions are available for Limit Orders only. Orders with a Buy Minus Zero Plus instruction that are systemically delivered to Exchange systems will be eligible to be automatically executed in accordance with, and to the extent provided by, Rules 1000 - 1004 - Equities, consistent with the order's instructions.
- (C) Odd-lot sized transactions shall not be considered the last sale for purposes of executing Buy Minus Zero Plus orders.

• • • *Supplementary Material*

.10 For purposes of displaying and ranking a Limit Order with an Add Liquidity Only (ALO) modifier, the term "best-priced sell interest" refers to the lowest-priced sell interest against which incoming buy interest would be required to execute, including Exchange displayed offers, Non-Display Reserve Orders, Non-Display Reserve e-Quotes, odd-lot sized sell interest, and unexecuted Market Orders, and the lowest-priced protected offers on away markets, but does not include non-displayed sell interest that is priced based on the PBBO and the term "best-priced buy interest" refers to the highest-priced buy interest against which incoming sell interest would be required to execute, including Exchange displayed bids, Non-Display Reserve Orders, Non-Display Reserve e-Quotes, odd-lot sized buy interest, and unexecuted Market Orders, and the highest-priced protected bids on away markets, but does not include non-displayed buy interest that is priced based on the PBBO.

.20 Except as may be otherwise specified in this Rule, all members shall use reasonable diligence in the handling of any order, as defined in this Rule, entrusted to them for execution to obtain the best price or prices for their customer, consistent with the terms of the order. Generally, an instruction that an order is "not held" refers to an unpriced, discretionary order voluntarily categorized as such by the customer and with respect to which the customer has granted the member or member organization price and time discretion.

**Rule 14 - Equities. Non-Regular Way Settlement Instructions for Orders**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a)(i) Bids and offers in securities admitted to dealings on the Exchange may be submitted with instructions that allow for settlement other than regular way (i.e., settlement on the third business day following trade date for securities other than U.S. Government Securities). These may be known as 'non-regular way' settlement instructions.

(ii) Bids and offers in securities admitted to dealings on the Exchange submitted with instructions that allow for settlement other than regular way (i.e., non-regular way, as defined below) must be transmitted to a Floor broker for representation in the Exchange's market.

(b) Non-regular way settlement instructions are: (i) cash; (ii) next day; and (iii) seller's option.

(c) An order submitted with a cash settlement instruction requires delivery of the securities the same day as the trade date.

(d) An order submitted with a next day settlement instruction requires delivery of the securities on the first business day following the trade date.

(e) An order submitted with a seller's option settlement instruction requires delivery any time period after trade date that is not less than two business days after trade date and not more than sixty days after trade date for securities as specified by the seller at the time of the transaction. In the case of U.S. government securities, delivery shall be any time period after trade date that is not less than two business days after trade date and no more than sixty days after trade date as specified by the seller at the time of the transaction.

(f) Regular way settlement for U.S. Government Securities pursuant to Rule 66 requires the delivery on the business day following the day of the trade.

## **Rule 15 - Equities. Pre-Opening Indications and Opening Order Imbalance Information**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) *Pre-Opening Indications:* A pre-opening indication will include the security and the price range within which the opening price is anticipated to occur. A pre-opening indication will be published via the securities information processor and proprietary data feeds.

(b) *Conditions for publishing a pre-opening indication:*

- (1) A DMM will publish a pre-opening indication, as described in paragraph (e), (i) before a security opens if the opening transaction on the Exchange is anticipated to be at a price that represents a change of more than the "Applicable Price Range," as specified in paragraph (d) of this Rule, from a specified "Reference Price," as



specified in paragraph (c) of this Rule; or (ii) if a security has not opened by 10:00 a.m. Eastern Time.

- (2) When making the determination of what the opening transaction price will be, the DMM will take into consideration all interest eligible to participate in the opening transaction, including electronically-entered orders, the DMM's own interest, and any interest represented orally in the Crowd.
- (3) If a DMM is unable to publish a pre-opening indication for one or more securities due to a systems or technical issue, the Exchange may publish a pre-opening indication for that security(ies).

(c) *Reference Price.*

- (1) The Reference Price for a security, other than an American Depositary Receipt ("ADR"), will be:
  - (A) the security's last reported sale price on the Exchange;
  - (B) the security's offering price in the case of an initial public offering ("IPO"); or
  - (C) the security's last reported sale price on the securities market from which the security is being transferred to the Exchange, on the security's first day of trading on the Exchange ("transferred security").
- (2) The Reference Price for an ADR will be:
  - (A) the closing price of the security underlying the ADR in the primary foreign market for such security when the trading day of the primary foreign market concludes after trading on the Exchange for the previous day has ended; or
  - (B) based on parity with the last sale price of the security underlying the ADR in the primary foreign market for such security when the trading day of the primary foreign market is open for trading at the time of the opening on the Exchange.
- (3) The Reference Price for reopening a security following a halt will be the security's last reported sale price on the Exchange.

(d) *Applicable Price Range:*

- (1) Except under the conditions set forth in paragraph (d)(2) of this Rule, the Applicable Price Range for determining whether to publish a pre-opening indication will be 5% for securities with a Reference Price over \$3.00 and \$0.15 for securities with a Reference Price equal to or lower than \$3.00.

- (2) If as of 9:00 a.m. Eastern Time, the E-mini S&P 500 Futures are +/- 2% from the prior day's closing price of the E-mini S&P 500 Futures, when reopening trading following a market-wide trading halt under Rule 80B - Equities, or if the Exchange determines that it is necessary or appropriate for the maintenance of a fair and orderly market, the Applicable Price Range for determining whether to publish a pre-opening indication will be 10% for securities with a Reference Price over \$3.00 and \$0.30 for securities with a Reference Price equal to or lower than \$3.00.

(e) *Procedures for publishing a pre-opening indication:* The DMM will use the following procedures when publishing a pre-opening indication.

- (1) Publication of a pre-opening indication requires the supervision and approval of a Floor Governor.
- (2) A pre-opening indication must be updated if the opening transaction would be at a price outside of a published pre-opening indication.
- (3) If the pre-opening indication is a spread wider than \$1.00, the DMM should undertake best efforts to publish an updated pre-opening indication of \$1.00 or less before opening the security, as may be appropriate for the specific security.
- (4) After publishing a pre-opening indication, the DMM must wait for the following minimum specified periods before opening a security:
  - (A) When using the Applicable Price Range specified in paragraph (d)(1) of this Rule, a minimum of three minutes must elapse between publication of the first indication and a security's opening. If more than one indication has been published, a security may be opened one minute after the last published indication provided that at least three minutes have elapsed from the dissemination of the first indication. However, the DMM may open a security less than the required minimum times after the publication of a pre-opening indication if the imbalance is paired off at a price within the Applicable Price Range.
  - (B) When using the Applicable Price Range specified in paragraph (d)(2) of this Rule, a minimum of one minute must elapse between publication of the first indication and a security's opening. If more than one indication has been published, a security may be opened without waiting any additional time.
- (5) If trading is halted for a non-regulatory order imbalance, a pre-opening indication must be published as soon as practicable after the security is halted.
- (6) When reopening a security following a trading pause under Rule 80C - Equities:
  - (A) a pre-opening indication may be published without prior Floor Governor approval;

(B) a pre-opening indication does not need to be updated before reopening the security, and the security may be reopened outside of any prior indication; and

(C) the reopening is not subject to the minimum waiting time requirements in paragraph (e)(4) of this Rule.

(f) *Temporary Suspension of Pre-Opening Indications:*

(1) If the CEO of the Exchange determines that a Floor-wide event is likely to impact the ability of DMMs to arrange for a fair and orderly opening or reopening on that trading day and that, absent relief, the operation of the Exchange is likely to be impaired, the CEO of the Exchange may temporarily suspend the requirement to publish pre-opening indications in a security under Rule 15 - Equities prior to opening or reopening a security following a market-wide trading halt.

(2) In determining whether to temporarily suspend the need for pre-opening indications under Rule 15 - Equities, the CEO of the Exchange will:

(A) consider the facts and circumstances that are likely to have Floor-wide impact for a particular trading session, including volatility in the previous day's trading session, trading in foreign markets before the open, substantial activity in the futures market before the open, the volume of pre-opening indications of interest, evidence of pre-opening significant order imbalances across the market, government announcements, news and corporate events, and such other market conditions that could impact Floor-wide trading conditions;

(B) notify the Chief Regulatory Officer of the Exchange; and

(C) inform the Securities and Exchange Commission staff as promptly as practicable that pre-opening indications under Rule 15 - Equities have been temporarily suspended.

(3) A temporary suspension under this Rule will be in effect only for the trading day on which it was declared.

(4) Notwithstanding a temporary suspension of the requirement to publish pre-opening indications in a security under Rule 15 - Equities, a DMM or the Exchange may publish a pre-opening indication for one or more securities.

(g) *Order Imbalance Information:* Exchange systems may also make available, from time to time, as the Exchange shall determine, Order Imbalance Information prior to the opening of a security on the Exchange.

(1) Order Imbalance Information disseminated by Exchange systems prior to the opening transaction is the data feed disseminated by Exchange systems of real-time order imbalances that accumulate prior to the opening transaction on the Exchange

and the price at which interest eligible to participate in the opening transaction may be executed in full. Such Order Imbalance Information includes all interest eligible for execution in the opening transaction of the security in Exchange systems.

- (2) (A) Order Imbalance Information will use the last reported sale price in the security on the Exchange as the reference price to indicate the number of shares required to open the security with an equal number of shares on the buy side and the sell side of the market.
- (B) If a pre-opening indication is published pursuant to subparagraph (a) above, the reference price for the Order Imbalance Information will be as follows:
  - (i) If the bid price of the pre-opening indication of interest is higher than the last reported sale price for the security on the Exchange, the pre-opening indication bid price will serve as the reference price.
  - (ii) If the offer price of the pre-opening indication of interest is lower than the last reported sale price for the security on the Exchange, the pre-opening indication offer price will serve as the reference price.
  - (iii) If the last reported sale price on the Exchange falls within the bid and offer of the pre-opening indication of interest for a security, the last sale price shall serve as the reference price.
  - (iv) If the security is a transferred security, the last reported sale price on the securities market from which the security was transferred prior to its first day of trading on the Exchange will serve as the reference price.
- (3) Order Imbalance Information disseminated prior to the opening of the security will be disseminated as follows:
  - (A) Approximately every five minutes between 8:30 am Eastern Time ("ET") and 9:00 am ET.
  - (B) Approximately every minute between 9:00 am ET and 9:20 am ET.
  - (C) Approximately every 5 seconds between 9:20 am ET and the opening of trading in that security.

### ***Supplementary Material***

.10 Unless otherwise specified in this Rule, references to an opening transaction include a reopening transaction following a trading halt or pause in a security.

### **Rule 15A - Equities. Order Protection Rule**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Definition. For purposes of this Rule, the terms "best bid", "best offer", "national best bid", "national best offer", "NMS stock", "protected bid", "protected offer", "protected quotation", "regular trading hours", "trade-through", and "trading center" shall have the meanings set forth in Section 242.600(b) of Regulation NMS.

(b) Where any better-priced protected bid or offer is published by another market center, and the price associated with such published better bid or offer has not been systemically matched on the Exchange, the Exchange will automatically route to such other market center an order priced at such published bid or offer, unless the trade-through that would occur if the Exchange did not route to the other market center falls within an exception set forth in Rule 611(b) of Regulation NMS or within an exemption granted by the Securities and Exchange Commission pursuant to Rule 611(d) of Regulation NMS. If such order is not filled or not filled in its entirety, the balance will be returned to the Exchange and handled consistent with the order's instructions, which includes automatic execution, if available. The order entry time associated with the returned portion of the order will be the time of its return, not the time the order was first entered with the Exchange.

**[Rule 16 – Equities. Reserved]**

**Rule 17 - Equities. Use of Exchange Facilities and Vendor Services**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Exchange Liability. The Exchange shall not be liable for any damages sustained by a member, principal executive or member organization growing out of the use or enjoyment by such member, principal executive or member organization of the facilities afforded by the Exchange, except as provided in Rule 18 - ex Equities.

(b) Vendor Liability. In connection with member or member organization use of any third-party electronic system, service, or facility ("third-party vendor") provided by the Exchange to members for the conduct of their business on the Exchange, the Exchange shall not be liable for any damages sustained by a member, allied member or member organization growing out of the use or enjoyment by such member, allied member or member organization of the third-party electronic system, service, or facility provided by the Exchange, except as provided in Rule 18 - Equities.

(c) Operation of Routing Broker. The term "Routing Broker" shall mean the brokerdealer affiliate of the Exchange and/or any other non-affiliated third-party broker-dealer that acts as a facility of the Exchange for routing orders entered into Exchange systems to other market centers for execution whenever such routing is required by Exchange Rules and federal securities laws.

**(1) Outbound Routing Function**

- (A) (i) The Routing Broker(s) will receive routing instructions from the Exchange, to route orders to other market centers and report such executions back to the Exchange. Except as provided in paragraph (c)(1)(A)(ii) below, the Routing Broker(s) cannot change the terms of an order or the routing instructions, nor does the Routing Broker(s) have any discretion about where to route an order.
- (ii) In the sole discretion of the Routing Broker(s), pursuant to risk management controls and supervisory procedures maintained by the Routing Broker(s) pursuant to SEC Rule 15c3-5, the Routing Broker(s) may reject any order or series of orders as necessary to manage the financial, regulatory, and other risks of the Routing Brokers(s) providing "market access," as that term is defined in SEC Rule 15c3-5(a)(1).
- (B) The broker-dealer affiliate of the Exchange that acts as a Routing Broker will not engage in any business other than (a) the functions set forth in Rule 17(c) - Equities; and (b) any other activities it may engage in as approved by the Commission.
- (C) The use of the Routing Broker(s) to route orders to another market center will be optional. Any member organization that does not want to use the Routing Broker(s) must enter an immediate-or-cancel order or any such other order type available on the Exchange that is not eligible for routing.
- (D) All bids and offers entered on the Exchange routed to other market centers via the Routing Broker(s) that result in an execution shall be binding on the member organization that entered such bid and offer.
- (E) The Exchange will regulate the Routing Broker(s) as a facility (as defined in Section 3(a)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")), subject to Section 6 of the Act. In particular, and without limitation, under the Exchange Act, the Exchange will be responsible for filing with the Commission rule changes and fees relating to the functions performed by the Routing Broker(s) for the Exchange and will be subject to exchange non-discrimination requirements.
- (F) The books, records, premises, officers, agents, directors and employees of the Routing Broker(s), as a facility of the Exchange, shall be deemed to be the books, records, premises, officers, agents, directors and employees of the Exchange for purposes of, and subject to oversight pursuant to, the Exchange Act. The books and records of the Routing Broker(s) as a facility of the Exchange shall be subject at all times to inspection and copying by the Exchange and the Commission.
- (G) A self-regulatory organization ("SRO") unaffiliated with the Exchange or any of its affiliates will carry out the oversight and enforcement responsibilities as the designated examining authority designated by the Commission pursuant to Rule

17d-1 of the Exchange Act with the responsibility for examining the Routing Broker(s) for compliance with the applicable financial responsibility rules.

- (H) The Exchange shall establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange and its facilities (including the non-affiliate third-party broker-dealer acting as a facility of the Exchange ("third-party Routing Facility"), and any other entity, including any affiliate of the third-party Routing Facility, and, if the third-party Routing Facility or any of its affiliates engage in any other business activities other than providing routing services to the Exchange, between the segment of the third-party Routing Facility or affiliate that provides the other business activities and the routing services.

(2) Inbound Routing Function

- (A) For so long as the Exchange is affiliated with NYSE Arca, Inc. ("NYSE Arca") and New York Stock Exchange, LLC ("NYSE"), and Archipelago Securities LLC ("Arca Securities") in its capacity as a facility of NYSE Arca and NYSE is utilized for the routing of any approved types of orders from those exchanges to the Exchange (such function of Arca Securities is referred to as the "Inbound Router"), each of the Exchange and Arca Securities shall undertake as follows:

- (i) The Exchange shall (1) maintain an agreement pursuant to Rule 17d-2 under the Exchange Act with a non-affiliated SRO to relieve the Exchange of regulatory responsibilities for Arca Securities with respect to rules that are common rules between the Exchange and the non-affiliated SRO, and (2) maintain a regulatory services agreement with a non-affiliated SRO to perform regulatory responsibilities for Arca Securities for unique Exchange rules.
- (ii) The regulatory services agreement described in Rule 17(c)(2)(A)(i) - Equities shall require the Exchange and the non-affiliated SRO to monitor Arca Securities for compliance with the Exchange's trading rules, and collect and maintain all alerts, complaints, investigations and enforcement actions (collectively "Exceptions") in which Arca Securities (in routing orders to the Exchange) is identified as a participant that has potentially violated applicable Exchange or SEC rules. The Exchange and the non-affiliated SRO shall retain these records in an easily accessible manner. The regulatory services agreement described in Rule 17(c)(2)(A)(i) - Equities shall require that the non-affiliated SRO provide a report, at least quarterly, to the Chief Regulatory Officer of the Exchange quantifying all Exceptions (of which the Exchange and the non-affiliated SRO become aware) in which Arca Securities is identified as a participant that has potentially violated Exchange or SEC Rules.
- (iii) The Exchange, on behalf of the holding company owning both the Exchange and Arca Securities, shall establish and maintain procedures and internal controls reasonably designed to prevent Arca Securities from receiving any

benefit, taking any action or engaging in any activity based on non-public information regarding planned changes to Exchange systems, obtained as a result of its affiliation with the Exchange, until such information is available generally to similarly situated member organizations of the Exchange in connection with the provision of inbound order routing to the Exchange.

(iv) The Exchange may furnish to Arca Securities the same information on the same terms that the Exchange makes available in the normal course of business to any other member organization.

(B) Provided the above conditions are complied with, and provided further that Arca Securities operates as an outbound router on behalf of NYSE Arca and NYSE on the same terms and conditions as it does for the Exchange, and in accordance with the Rules of NYSE Arca and NYSE, Arca Securities may provide inbound routing services to the Exchange from NYSE Arca and NYSE.

### (3) Cancellation of Orders and Error Account

(A) The Exchange or Arca Securities may cancel orders as either deems to be necessary to maintain fair and orderly markets if a technical or systems issue occurs at the Exchange, Arca Securities, or a routing destination. The Exchange or Arca Securities shall provide notice of the cancellation to affected member organizations as soon as practicable.

(B) Arca Securities shall maintain an error account for the purpose of addressing positions that result from a technical or systems issue at Arca Securities, the Exchange, a routing destination, or a non-affiliate third-party Routing Broker that affects one or more orders ("error positions").

(i) For purposes of this Rule 17(c)(3) - Equities, an error position shall not include any position that results from an order submitted by a member organization to the Exchange that is executed on the Exchange and processed pursuant to Rule 132 - Equities.

(ii) Arca Securities shall not (1) accept any positions in its error account from an account of a member organization, or (2) permit any member organization to transfer any positions from the member organization's account to Arca Securities' error account.

(iii) For purposes of this Rule 17(c)(3), uncompleted transactions that may be processed pursuant to Rule 134(e) - Equities are not error positions.

(C) In connection with a particular technical or systems issue, Arca Securities or the Exchange shall either (1) assign all resulting error positions to member organizations in accordance with subparagraph (i) below, or (2) have all resulting error positions liquidated in accordance with subparagraph (ii) below. Any



determination to assign or liquidate error positions, as well as any resulting assignments, shall be made in a nondiscriminatory fashion.

- (i) Arca Securities or the Exchange shall assign all error positions resulting from a particular technical or systems issue to the member organizations affected by that technical or systems issue if Arca Securities or the Exchange:
  - (a) determines that it has accurate and sufficient information (including valid clearing information) to assign the positions to all of the member organizations affected by that technical or systems issue;
  - (b) determines that it has sufficient time pursuant to normal clearance and settlement deadlines to evaluate the information necessary to assign the positions to all of the member organizations affected by that technical or systems issue; and
  - (c) has not determined to cancel all orders affected by that technical or systems issue in accordance with subparagraph (c)(3)(A) above.
- (ii) If Arca Securities or the Exchange is unable to assign all error positions resulting from a particular technical or systems issue to all of the affected member organizations in accordance with subparagraph (i) above, or if Arca Securities or the Exchange determines to cancel all orders affected by the technical or systems issue in accordance with subparagraph (c)(3)(A) above, then Arca Securities shall liquidate the error positions as soon as practicable. Arca Securities shall:
  - (a) provide complete time and price discretion for the trading to liquidate the error positions to a third-party broker-dealer and shall not attempt to exercise any influence or control over the timing or methods of such trading; and
  - (b) establish and enforce policies and procedures that are reasonably designed to restrict the flow of confidential and proprietary information between the third-party broker-dealer and Arca Securities/the Exchange associated with the liquidation of the error positions.
- (D) Arca Securities and the Exchange shall make and keep records to document all determinations to treat positions as error positions and all determinations for the assignment of error positions to member organizations or the liquidation of error positions, as well as records associated with the liquidation of error positions through the third-party broker-dealer.

#### **Rule 18 - Equities. Compensation in Relation to Exchange System Failure**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) In the event the Exchange determines that (i) a valid order was accepted by the Exchange's systems; (ii) an Exchange system failure, as defined in paragraph (b) below, occurred during the execution of said order; (iii) a member organization sustained a loss related to an Exchange system failure; and (iv) the member organizations that sustained such loss provides oral notice to the Exchange or its designee by the market opening on the next business day following the system failure and written notice by the end of the third business day following the system failure (T+3), the Exchange shall make a payment to the claiming member organization for the claimed losses on the amounts and subject to the processes defined below.

(b) An Exchange system failure is defined as a malfunction of the Exchange's physical equipment, devices and/or programming that results in an incorrect execution of an order or no execution of an order that was received in Exchange systems or any malfunction of any third-party electronic system, service, or facility ("third-party vendor") provided by the Exchange that results in an incorrect execution of an order or no execution of a marketable order that was received in Exchange systems. Net loss is defined as the total loss off-set by any gains retained by the member organization as a result of the Exchange system malfunction.. Misuse of Exchange systems or third-party vendor systems is not included in this definition.

(c) An Exchange-designated panel ("Compensation Review Panel") consisting of 3 Floor Governors and 3 Exchange employees will review claims submitted pursuant to this rule and determine the eligibility of a claim for payment. The Compensation Review Panel in its review will determine whether the amount claimed should be reduced based on the actions or inactions of the claiming member organization, including whether the member organization made appropriate efforts to mitigate its loss.

(d) Compensation Review Panel determinations are by majority vote. In the event of a deadlock the final determination will be made by the Chief Executive Officer of the Exchange ("CEO") or his or her designee.

(e) All determinations made pursuant to this rule by the Compensation Review Panel, the CEO or his or her designee are final.

(f) Compensation amounts shall be limited in the aggregate to the amount that the Exchange shall be entitled to receive from New York Stock Exchange LLC for compensation in the event of an Exchange systems malfunction pursuant to NYSE Rule 18. If all of the claims arising out of the use or enjoyment of the facilities afforded by the Exchange cannot be fully satisfied because in the aggregate the claims exceed the funds available to the Exchange for payment hereunder, then the funds available for such payment shall be allocated among all such claims arising during the calendar month, based on the proportion that each such claim bears to the total of the claims eligible to receive a payment determined at the end of the calendar month.

(g) If all of the claims arising out of the use or enjoyment of the electronic systems, services, or facilities of a third-party vendor provided by the Exchange cannot be fully

satisfied because in the aggregate the claims exceed the funds available to the Exchange for payment hereunder, the aggrieved member or member organization may file a claim directly against the third-party vendor for the remaining claimed loss sustained as a result of the third-party vendor's system malfunction.

**Rule 19 - Equities. Locking or Crossing Protected Quotations in NMS Stocks**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Definitions. For purposes of this Rule, the following definitions shall apply:

(1) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in Rule 600(b) of Regulation NMS.

(2) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(3) The term locking quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that equals the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(b) Prohibition. Except for quotations that fall within the provisions of paragraph (d) of this Rule, members of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan.

(c) Manual quotations. If a member of the Exchange displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such member of the Exchange shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(d) Exceptions.

(1) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(2) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(3) The locking or crossing quotation was an automated quotation, and the member of the Exchange displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(4) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the member of the Exchange displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

• • • *Supplementary Material:* -----

.01 The Exchange uses the following data feeds for the handling, execution, and routing of orders, as well as for regulatory compliance:

<b>Market Center</b>	<b>Primary Source</b>	<b>Secondary Source</b>
BATS Exchange, Inc.	SIP Data Feed	n/a
BATS Y-Exchange, Inc.	SIP Data Feed	n/a
Chicago Stock Exchange, Inc.	SIP Data Feed	n/a
EDGA Exchange, Inc.	SIP Data Feed	n/a
EDGX Exchange, Inc.	SIP Data Feed	n/a
Investors' Exchange, LLC	SIP Data Feed	n/a
NASDAQ OMX BX LLC	SIP Data Feed	n/a
NASDAQ OMX PHLX LLC	SIP Data Feed	n/a
NASDAQ Stock Market LLC	SIP Data Feed	n/a
National Stock Exchange, LLC	SIP Data Feed	n/a
NYSE Arca Equities, Inc.	SIP Data Feed	n/a

**Miscellaneous Rules (Rules 20 - Equities—28 - Equities)**

**[Rule 20 - Equities. Reserved]**

**Rule 21 - Equities. Disqualification of Directors on Listing of Securities**

Reserved.]

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**Rule 23 - Equities. New York Local Time**

*This Rule is not applicable to trading on the Pillar trading platform.*

The Exchange shall conform to local New York City time.

**Rule 24 - Equities. Change in Procedure to Conform to Changed Hours of Trading**

*This Rule is not applicable to trading on the Pillar trading platform.*

Whenever a Rule of the Board of Directors prescribes an hour, time or period of time at, before or within which an act shall be done, the Exchange may, in the event that the hours of trading on any day are changed pursuant to the provisions of Rule 51 - Equities, temporarily prescribe another hour, time or period of time for the performance of such act, which may be on a day subsequent to that on which the hours of trading are so changed.

**Rule 25 - Equities. Exchange Liability for Legal Costs**

*This Rule is not applicable to trading on the Pillar trading platform.*

(1) The cost to the Exchange of producing, pursuant to court order or other legal process, records relating to the business or affairs of a member, principal executive or member organization may, in the discretion of the Exchange, be required to be paid to the Exchange by such member, principal executive or member organization, whether such production is required at the instance of such member, principal executive or member organization or at the instance of any other party.

(2) In the event any legal or arbitration proceeding is brought to impose secondary liability on the Exchange for an asserted failure on its part to prevent or to require action by a member, principal executive or member organization, said member, principal executive or member organization will be obligated to reimburse the Exchange for: (a) all expenses and counsel fees incurred by the Exchange in connection with said proceedings; (b) the recovery, if any, adjudged against the Exchange upon a final determination that the Exchange was secondarily liable for the damage sustained; and (c) any payment made by the Exchange with approval of the member, principal executive or member organization in connection with any settlement of any such proceeding.

**[Rule 26 - Equities. Disqualification of Directors on Listing of Securities**

Reserved.]

**Rule 27 - Equities. Regulatory Cooperation**

*This Rule is not applicable to trading on the Pillar trading platform.*

The Exchange may enter into agreements with domestic or foreign self-regulatory organizations or associations, contract markets and registered futures associations as referenced in Rule 476(a)(11), providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes.

**Rule 28 - Equities. Fingerprint-Based Background Checks of Exchange Employees and Others**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) In order to enhance the security of the respective facilities, systems, data, and/or records of the Exchange and its principal subsidiaries (collectively, 'facilities and records'), the Exchange shall obtain fingerprints from, and conduct a fingerprint-based background check of, all prospective and current employees, temporary personnel, independent contractors, and service providers of each of the Exchange, its direct and indirect parent organizations, its principal subsidiaries and any affiliates of the foregoing. However, the Exchange may determine not to obtain fingerprints from, or to seek fingerprint-based background information with respect to, a person due to that person's limited, supervised, or restricted access to facilities and records; or the nature or location of his or her work or services. The Exchange shall apply this rule in all circumstances where permitted by applicable law.

(b) The Exchange shall submit fingerprints obtained pursuant to this rule to the Attorney General of the United States or his or her designee for identification and processing. The Exchange shall at all times maintain the security of all fingerprints provided to, and all criminal history record information received from, the Attorney General or his or her designee. The Exchange, however, may provide a subsidiary with access to information from background checks based on fingerprints obtained from that subsidiary. The Exchange shall not disseminate fingerprints or information to the extent prohibited by applicable law.

(c) The Exchange shall evaluate information received from the Attorney General or his or her designee and otherwise administer this rule in accordance with Exchange fingerprint procedures as in effect from time to time and the provisions of applicable law. Fingerprint-based background information, such as a felony or serious misdemeanor conviction, will be a factor in making employment decisions; engaging or retaining any temporary personnel, independent contractors, or service providers; or permitting any fingerprinted person access to facilities and records.

• • • ***Supplementary Material:***

**.10 Fingerprints and the Issuance of Identification Badges.**—The Exchange intends, with limited exceptions, to obtain fingerprints from, and fingerprint-based background information with respect to, all employees, temporary personnel, independent contractors, and service providers who receive Exchange-issued photo badges or other

identification permitting them access to facilities and records for more than one day ('Long-Term Badges'). The Exchange has the capacity electronically to immediately limit or terminate the access to facilities and records that Long-Term Badges permit, and reserves the right to do so. On a case-by-case basis, the Exchange may determine not to obtain fingerprints from a person to whom a Long-Term Badge is issued, based on the decision of a committee of Exchange officers who oversee application of the rule that there exists an exception to obtaining the fingerprints, as contemplated by the rule.

**[Rules 29 - Equities - Rule 34 - Equities**

Reserved.]

**Access to and Communication with Floor (Rules 35 - Equities—38 - Equities)**

**Rule 35 - Equities. Floor Employees To Be Registered**

*This Rule is not applicable to trading on the Pillar trading platform.*

No employee of a member or member organization shall be admitted to the Floor unless he is registered with, qualified by and approved by the Exchange, and upon compliance of both the employer and employee with such requirements as the Exchange may determine.

**• • • Supplementary Material:**

.10 **Reserved.**

.20 **Regulations pertaining to Floor employees.**—All Floor employees of members and member organizations must be at their booths or posts on the Floor one-half hour prior to the opening of business or such earlier time as the Exchange may from time to time direct.

Each member or member organization having a telephone space on the Floor must keep at least one Floor employee on the Floor for fifteen minutes (or such longer period as may be set by the Exchange because of unusual circumstances) following the close of the market each day or until all reports due said member or member organization have been received, whichever time is later.

Floor employees of members and member organizations are not allowed to be upon or to cross the trading area of the Floor for any purpose during the period between ten minutes preceding the opening of the market and five minutes following the close of the market, other than as specified in the applicable floor conduct and safety guidelines that may be promulgated by the Exchange from time to time.

Floor employees who, because of illness or injury, are relieved from duty by the medical clinic located in the Exchange building, must report to that clinic before returning to

duty. Floor employees who, because of illness or injury, are absent for more than two days, without having previously reported to the medical clinic located in the Exchange building, must likewise report to that clinic before returning to duty.

Floor employees may not make bids or offers nor may any employee interfere with any order during its transmission.

**.30 Employee Floor Tickets.**—Each Floor employee must wear an identifying ticket while on the Floor. The use of altered or mutilated tickets is prohibited.

**.40 Personnel available to DMM units on the Floor.**—Each DMM unit shall have: (1) at least one employee approved by the Exchange for admittance to the Floor for every Post space assigned to the unit, and (2) an adequate number of additional approved employees to provide proper service during the trading day.

Each DMM unit having insufficient office personnel available for the Floor in an emergency situation shall, within such reasonable period of time as the Exchange shall determine, make arrangements with other DMMs or with its clearing firm to assure that proper service will be rendered to members and member organizations should an emergency situation arise..

**.50 Applications for Registration.**—Registration applications for all employees of members and member organizations for admission to the Floor shall be submitted to the Exchange on the Uniform Application for Securities Industry Registration or Transfer (Form U-4).

**.60 Qualifications for Registration.**—Unless otherwise determined by the Exchange, each candidate for registration shall qualify by meeting the training requirements and by passing applicable qualification examination(s) as prescribed by the Exchange.

**.70 Fingerprinting.**— All Floor employees of members and member organizations and all employees of members and member organizations who have submitted registration applications for admission to the Floor are required to be fingerprinted through an agent acceptable to the Exchange and to submit, or cause to be submitted, a report of such fingerprinting for appropriate processing. No applicant who has not previously been fingerprinted shall be admitted to the Floor until the results of the foregoing fingerprinting have been posted to the Central Registration Depository, reviewed and approved by the Exchange. An applicant previously fingerprinted may receive conditional approval to go upon the Floor, pending review and approval of the foregoing fingerprint report, provided that such applicant was employed by a member or registered broker-dealer within ninety days of the application.

Applicants whose fingerprint reports are deemed illegible pursuant to Rule 17f-2(a)(1)(iv) of the Exchange Act must submit an alternative background check acceptable to the Exchange covering the same factors as the fingerprint report. No applicant shall be admitted to the Floor until the results of the background check are reviewed and



approved by the Exchange, provided that an applicant who has previously supplied an acceptable background check may receive conditional approval to go upon the Floor, pending review and approval of the new background check, provided that such applicant was employed by a member or registered broker dealer within ninety days of the application.

### **.80 Notifications to Security Office and Return of Exchange-Issued Identification Cards**

In the event of:

- (1) A Floor member's or employee's termination, or
- (2) Cancellation of a member's or employee's Exchange-issued identification card prior to expiration, or
- (3) A member or member organization's re-assignment of a Floor member or employee to non-Floor functions

Members and member organizations must notify the Exchange's Security Office of the termination, cancellation, or re-assignment, and must surrender the member's or employee's Exchange-issued identification card to the Exchange's Security Office, within 24 hours of the termination, cancellation, or re-assignment.

### **Rule 36 - Equities. Communications Between Exchange and Members' Offices**

*This Rule is not applicable to trading on the Pillar trading platform.*

No member or member organization shall establish or maintain any telephonic or electronic communication between the Floor and any other location without the approval of the Exchange. The Exchange may to the extent not inconsistent with the Securities Exchange Act of 1934, as amended, deny, limit or revoke such approval whenever it determines, in accordance with the procedures set forth in Rule 475 or 9558, as applicable that such communication is inconsistent with the public interest, the protection of investors or just and equitable principles of trade.

#### **• • • Supplementary Material:**

**.10 Installation of telephone lines to Exchange.**—The Telephone Company will not recognize any order for the installation or disconnection of a telephone line between the Floor and any other location, except such orders as are issued by the Exchange directly to the Telephone Company.

Requests for telephone lines should be sent to Market Operations Division. Members or member organizations who desire such installations or disconnections should present

their requests sufficiently in advance of the desired effective date to avoid any inconvenience resulting from insufficient notice to the Telephone Company.

.20 (a) With the approval of the Exchange, a Floor broker may maintain a telephone line or use an Exchange authorized and provided portable telephone which permits a non-member off the Floor to communicate with a member or member organization on the Floor. In addition, any Floor broker receiving orders from the public over portable phones must be properly qualified under Exchange rules to conduct such public business (See, for e.g., Rule 345 - Equities.) Subject to the exception contained in .23 of this Rule, the use of a portable telephone on the Floor other than one authorized and issued by the Exchange is prohibited.

The Exchange will approve the maintenance of such telephone lines only at the booth location of a member or member organization.

**.21 Use of an Exchange authorized and provided portable phone by a Floor broker:**

(a) When using an Exchange authorized and provided portable phone, a Floor broker:

(i) may engage in direct voice communication from the point of sale on the Floor to an off-Floor location;

(ii) may provide status and oral execution reports as to orders previously received, as well as 'market look' observations as historically have been routinely transmitted from a broker's booth location;

(iii) must comply with Rule 123(e) - Equities;

(iv) must comply with all other rules, policies, and procedures of both the Exchange and the federal securities law, including the record retention requirements, as set forth in Rule 440 - Equities and SEC Rules 17a-3 and 17a-4; and

(v) may not use call-forwarding or conference calling. Exchange authorized and provided portable phones used by Floor brokers shall not have these capabilities.

(b) Floor brokers and their member organizations must implement procedures designed to deter anyone calling their portable phone from using caller ID block or other means to conceal the phone number from which a call is being made. Members and member organizations are required to make and retain records demonstrating compliance with such procedures.

(c) Floor brokers may not use an Exchange authorized and provided portable phone used to trade equities while on the NYSE Amex Options Trading Floor.

**.23 Use of Personal Portable or Wireless Communication Devices.**

Notwithstanding any other provisions of this Rule 36 - Equities, members and employees of member organizations: (1) are permitted to use personal portable or wireless communications devices outside the Trading Floor, provided such use is consistent with all other Exchange Rules and federal securities laws and the rules thereunder; and (2) are prohibited from using personal portable or wireless communications devices while on the NYSE Amex Options Trading Floor. Those members and employees of member organizations that are also registered to trade options on the Exchange are permitted to use personal portable or wireless communications devices while on the NYSE Amex Options Trading Floor in accordance with applicable Exchange Options rules and regulations, including Rules 220 and 902NY.

### **.30 DMM Unit Post Wires—**

With the approval of the Exchange, a DMM unit may maintain a telephone line at its stock trading post location to the off-Floor offices of the DMM unit or the unit's clearing firm, or to persons providing non-trading related services. Such telephone connection shall not be used for the purpose of transmitting to the Floor orders for the purchase or sale of securities. A DMM unit may also maintain wired or wireless devices that have been registered with the Exchange, such as computer terminals or laptops, to communicate only with the system employing the algorithms and with individual algorithms. The wired or wireless device will enable the DMM unit to activate or deactivate the system employing the algorithms or an individual algorithm or change such system's pre-set parameters.

DMM units must create and maintain records of all messages generated by the unit's wired or wireless devices to communicate with the system employing the unit's algorithms in compliance with Rule 440 - Equities and SEC Rules 17a-3 and 17a-4. Such records must be maintained in the format prescribed by the Exchange.

### **.31 DMM Electronically Transmitted Written Communications**

(a) With the approval of the Exchange, and subject to the conditions set forth in this Supplementary Material .31, a DMM unit may install and maintain a wired or wireless device capable of sending and receiving written electronic communications through an Exchange-approved connection (a "Permitted Communications Device").

(b) The Permitted Communications Device shall only permit written electronic communications between individuals located at the DMM unit's post on the Floor and individuals with whom telephone communications are permitted under Rules 36.30 and 98 and subject to the same content restrictions set forth in those rules.

(c) A DMM's member organization must maintain records of all written communications sent from or to the DMM via the Permitted Communications Device in accordance with NYSE Rule 440 and SEC Rule 17a-4(b)(4) and in such format as may be prescribed by the Exchange.

(d) A DMM's member organization must establish policies and procedures reasonably designed to ensure that use of the Permitted Communications Device is consistent with all SEC rules and Exchange rules, policies and procedures.

**.40 Give-ups on wire business—Time for effecting.**—The limit of time within which a member or member organization executing a transaction during the 9:30 a.m. to 4:00 p.m. trading session must report to the member or organization carrying the customer's account shall be 4:15 p.m. See paragraph (d)(i) of Rule 900 - Equities (Off-Hours Trading: Applicability and Definitions) in respect of the time limit by which a member or member organization must report after executing a transaction through the Off-Hours Trading Facility.

**.50 Give-ups on wire business; method of handling.**—When a member or member organization, with instructions to give up that other member or organization, the member or member organization originally receiving the order shall on the same day send a written confirmation of the order as received to the office of the other member or organizations.

The member or organization executing such an order shall confirm the execution thereof on the same day in writing to the office of the member or organization for whose account it was executed.

These confirmations shall be in addition to any report which may be made on the Floor.

Clearance of the transaction pursuant to the rules of a Qualified Clearing Agency or pursuant to the rules of the Exchange shall be arranged between the members or member organizations.

**.60 Telephone listings.**—A member or member organization may not permit a non-member to list the telephone number of a line terminating in a switchboard of the member or member organization in any type of telephone directory under the name of the non-member.

**.70 Use and Possession of Wireless Hand-Held Devices.**

(a)(i) Members and employees of member organizations are prohibited from using or possessing any wireless hand-held device ("hand-held device") that may be used to view or enter orders into the Exchange's Equities automated trading systems while on the NYSE Amex Options Trading Floor.

(ii) Members and employees of member organizations are also prohibited from using or possessing any hand-held device that may be used to view or enter orders into the Exchange's Options automated trading systems while on the Exchange's Equities Trading Floor.

(iii) These prohibitions apply to any and all hand-held devices, including hand-held devices issued by the Exchange or NYSE, and hand-held devices that are proprietary to a member, member organization or other entity.

(b)(i) Floor brokers are permitted to use hand-held devices issued or approved in accordance with paragraph (b)(iii) on the Floor to receive orders and send order-related messages, including cancellations and modifications, administrative messages, information about buying and selling interest in the market (e.g., market looks), and trade reports, in text or graph form as part of an integrated Floor order management and communication system. Hand-held devices may receive orders and send order-related messages to: (1) a booth; (2) a customer; (3) a proprietary order management system; or (4) another hand-held device; provided however Floor brokers are not permitted to use hand-held devices to retransmit off the Floor any datafeeds made available on the hand-held devices. For purposes of this paragraph (b)(i), the term "customer" means a person who the Floor broker reasonably believes is receiving the order-related messages in consideration of a securities transaction or potential securities transaction with the Floor broker.

(ii) Orders may be transmitted directly to the hand-held device and order-related messages may be sent directly from the hand-held device, bypassing the Floor broker's booth, and Floor brokers may receive orders and send order information back to their customers directly through the hand-held device. An order sent to an Floor broker's booth or hand-held device constitutes a "written order" for the purposes of Rule 117 - Equities if the member can show via the data recorded by those systems that the transmission of the order: (1) provided adequate information relating to the price, size and time of the order, the cancellation of the order and any other relevant order information; (2) satisfies the Exchange's audit trail requirements; and (3) satisfies all other Exchange reporting and record-keeping requirements.

(iii) Members and employees of member organizations may use Exchange issued hand-held devices or Exchange approved hand-held devices of a member organization. Only member organizations are allowed to serve as vendors of hand-held devices to other member organizations on the Floor. Member organizations that operate as vendors of hand-held devices are required to satisfy all NYSE requirements, including but not limited to those specified in Rules 123(e) and (f)- Equities, and complete all necessary documentation in order to conduct this business. The vending member organization is responsible for the actions of its members and employees to assure that they will comply with all relevant laws, rules and regulations.

(iv) Member organizations that use hand-held devices that are approved but not issued by the Exchange shall have policies and procedures in place to ensure that such hand-held devices operate appropriately in order to avoid any delays in the receipt or execution of customer orders that may impact a member organization's ability to comply with its best execution obligations.

(v) A member organization that operates a hand-held vendor business may delegate this function to an agent and/or contractor provided that the member organization guarantees the performance of the delegated agent and/or contractor. The Exchange reserves the right to test hand-held devices and request documentation relating to such hand-held devices from any member organization or its agent and/or contractor.

### **Rule 37 - Equities. Visitors**

*This Rule is not applicable to trading on the Pillar trading platform.*

Visitors shall not be admitted to the Floor of the Exchange except by permission of a qualified officer of ICE or its subsidiaries or a Senior Floor Official, Executive Floor Official, a Floor Governor, or an Executive Floor Governor of NYSE MKT LLC or New York Stock Exchange LLC.

### **[Rules 38 - Equities - Rule 44 - Equities**

Reserved.]

### **Dealings and Settlements (Rules 45 - Equities—299C - Equities)**

### **Making and Settling of Exchange Contracts (Rules 45 - Equities—50 - Equities)**

### **[Rule 45 - Equities. Equities**

Reserved.]

### **Rule 46 - Equities. Floor Officials—Appointment**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Each Executive Floor Governor shall be approved as a Floor Official and shall be empowered to perform any duty, make any decision or take any action assigned to or required of a Floor Governor.

(b) The Exchange Chairman, in consultation with the Executive Floor Governors and the Exchange's Regulatory Oversight Committee and with the approval of the Exchange Board, shall, at the annual meeting of the Exchange Board of Directors or at such other time as may be deemed necessary:

(i) designate as Floor Officials such other members as he may determine, who shall perform such duties as are prescribed by the Rules of the Exchange to serve at the pleasure of the Exchange Board of Directors or until the next annual meeting of the Exchange Board of Directors at which time successors Floor Officials are appointed and take office.

(ii) designate such number of other members as Floor Governors as he may determine, who shall be empowered to perform any duty, make any decision or take any action assigned to or required of an Executive Floor Governor as are prescribed by the Rules of the Exchange or as may be designated by the Exchange Board.

For purposes of this rule, a Floor Governor, by virtue of his appointment as such, shall also be deemed to be a Floor Official, and, therefore empowered to perform such duties as are specifically prescribed by the Rules of the Exchange Board or as may be designated by the Exchange Board regarding Floor Officials.

(iii) designate such number of Executive Floor Officials as he may determine from those Floor Governors who have completed their term of service as Floor Governors, who shall be empowered to perform any duty, make any decision or take any action assigned to or required of a Floor Governor as are prescribed by the Rules of the Exchange or as may be designated by the Exchange Board regarding Floor Governors.

(iv) designate such number of Senior Floor Officials as he may determine from Floor Officials who are entering their fifth or sixth year of service, who shall be empowered to perform any duty, make any decision or take any action assigned to or required of a Floor Governor as are prescribed by the Rules of the Exchange or as may be designated by the Exchange Board regarding Floor Governors.

(v) designate such number of qualified ICE employees as he may determine, who shall be empowered to take any action assigned to or required of a Floor Governor as are prescribed by the Rules of the Exchange or as may be designated by the Exchange Board regarding Floor Governors.

(c) Each Floor Official, Floor Governor, Executive Floor Official, Senior Floor Official and Executive Floor Governor so appointed pursuant to Rules 46 - Equities and 46A - Equities as applicable shall serve at the pleasure of the Exchange Board of Directors or until the next annual meeting of the Exchange and their successors are appointed and take office.

• • • *Supplementary Material:*

.10 For purposes of this rule, the term "qualified ICE employee" shall mean employees of ICE or any of its subsidiaries, excluding Exchange regulatory employees, who shall have satisfied any applicable testing or qualification required by the Exchange for all Floor Governors.

.20 References in any Exchange Rule to Floor Official or Floor Governor shall be deemed to refer to qualified ICE employees in addition to other Floor Governors or Floor Officials.

**Rule 46A - Equities. Executive Floor Governors**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) The Board of Directors of the Exchange, in consultation with the Exchange's Regulatory Oversight Committee, shall appoint such number of Executive Floor Governors as it deems appropriate, each of whom shall serve for a term of one year, or until the next annual organizational meeting of the Exchange Board, whichever first occurs.

(b) Executive Floor Governors shall comprise (i) at least two registered DMMs, each of whom spends a substantial part of his or her time on the Floor of the Exchange or supervising DMMs; and (ii) at least two Floor brokers, each of whom spends a majority of his or her time on the Floor of the Exchange executing transactions on the Floor of the Exchange for other than his or her own account or the account of his or her member organization or supervising Floor brokers. Executive Floor Governors assist in the administration of the rules regarding trading on the Exchange and any facility thereof.

#### **Rule 47 - Equities. Floor Officials—Unusual Situations**

*This Rule is not applicable to trading on the Pillar trading platform.*

Floor Officials shall have power to supervise and regulate active openings and unusual situations that may arise in connection with the making of bids, offers or transactions on the Floor.

#### **Rule 49 - Equities. Exchange Business Continuity and Disaster Recovery Plans and Mandatory Testing**

*This Rule is not applicable to trading on the Pillar trading platform.*

##### **(a) Disaster Recovery Facility**

- (1) As part of its business continuity and disaster recovery plans, the Exchange maintains a Disaster Recovery Facility, which is a secondary data center located in a geographically diverse location.
- (2) If the Exchange determines under Rule 51 - Equities to trade Exchange-traded securities on its Disaster Recovery Facility:
  - (A) The 11 Wall Street facilities will not be available for trading.
  - (B) Opening and reopening auctions will be subject to Rule 123D(a)(2) - (6) - Equities and closing auctions will be subject to Supplementary Material .10 to Rule 123C - Equities.



- (C) Any unexecuted orders entered into Exchange systems before trading on the Disaster Recovery Facility begins will be deemed cancelled and will be purged from Exchange systems.
- (D) Member organizations registered as Designated Market Makers ("DMM") will not be subject to any DMM obligations or benefits under Exchange rules while securities trade on the Disaster Recovery Facility.
- (3) Member organizations wishing to trade on the Exchange's Disaster Recovery Facility are responsible for having contingency plans for establishing connectivity to such facility and changing the routing instructions for their order entry systems to send bids and offers in Exchange-traded securities to such facility.

(b) Exchange Backup Systems and Mandatory Testing

- (1) The Exchange will establish standards for the designation of member organizations it reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of the Exchange's business continuity and disaster recovery plans.
- (2) Member organizations designated pursuant to standards established in paragraph (b)(1) of this Rule will be required to participate in scheduled functional and performance testing of the Exchange's business continuity and disaster recovery plans in the manner and frequency specified by the Exchange, which shall not be less than once every 12 months.
- (3) Designated Market Makers that have been determined by the Exchange to contribute a meaningful percentage of the Exchange's overall volume, measured on a quarterly or monthly basis, will be required to participate in scheduled functional and performance testing. The Exchange may also consider other factors in determining the member organizations that will be required to participate in scheduled functional and performance testing, including average daily volume traded on the Exchange measured on a quarterly or monthly basis, or member organizations who collectively account for a certain percentage of market share on the Exchange.
- (4) At least three (3) months prior to a scheduled functional and performance testing of the Exchange's business continuity and disaster recovery plans, the Exchange will publish the criteria to be used by the Exchange to determine which member organizations will be required to participate in such testing, and notify those member organizations that are required to participate based on such criteria.
- (5) Member organizations not designated pursuant to standards established in paragraph (b)(1) of this Rule are permitted to connect to the Exchange's backup systems and may participate in scheduled functional and performance testing of the Exchange's business continuity and disaster recovery plans.

**[Rule 50 - Equities**

Reserved.]

**Dealings upon the Exchange (Rules 51 - Equities—56 - Equities)**

**Rule 51 - Equities. Hours for Business**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Except as may be otherwise determined by the Board of Directors as to particular days, the Exchange shall be open for the transaction of business on every business day, excluding Saturdays; (a) for a 9:30 a.m. to 4:00 p.m. trading session; (b) for the purposes of 'Off-Hours Trading' (as Rule 900 - Equities (Off-Hours Trading: Applicability and Definitions) defines that term), during such hours as the Exchange may from time to time specify; and (c) during such hours as may be specified by Exchange rule.

(b) Except as may be otherwise determined by the Exchange Board of Directors, the Chief Executive Officer ("CEO") of the Exchange may take any of the following actions:

- (i) halt or suspend trading in some or all securities traded on the Exchange;
- (ii) extend the hours for the transaction of business on the Exchange;
- (iii) close some or all Exchange facilities;
- (iv) determine the duration of any halt, suspension or closing undertaken pursuant to this rule; or
- (v) determine to trade securities on the Exchange's Disaster Recovery Facility pursuant to Rule 49 - Equities.

(c) The CEO shall take any of the actions described in paragraph (b) above only when he deems such action to be necessary or appropriate for the maintenance of a fair and orderly market, or the protection of investors or otherwise in the public interest, due to extraordinary circumstances such as (1) actual or threatened physical danger, severe climatic conditions, civil unrest, terrorism, acts of war, or loss or interruption of facilities utilized by the Exchange, (2) a request by a governmental agency or official, or (3) a period of mourning or recognition for a person or event.

(d) The CEO shall notify the Exchange Board of actions taken pursuant to this Rule, except for a period of mourning or recognition for a person or event, as soon thereafter as is feasible.

• • • ***Supplementary Material:***

**.10 Holidays.**—The Board has determined that the Exchange will not be open for business on New Year's Day, Martin Luther King, Jr. Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Martin Luther King, Jr. Day, Washington's Birthday and Memorial Day will be celebrated on the third Monday in January, the third Monday in February and the last Monday in May, respectively.

The Exchange Board has also determined that, when any holiday observed by the Exchange falls on a Saturday, the Exchange will not be open for business on the preceding Friday and when any holiday observed by the Exchange falls on a Sunday, the Exchange will not be open for business on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period.

**.20** The hours of business for NYSE MKT Bonds are set forth in Rule 86 - Equities.

### **Rule 52 - Equities. Dealings on the Exchange—Hours**

*This Rule is not applicable to trading on the Pillar trading platform.*

Dealings on the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business; and no member shall make any bid, offer or transaction on the Exchange, or route an order to another market center from the Exchange, before or after those hours, except that a DMM may issue pre-opening indications, pursuant to the Rule 15 - Equities, before the official opening of the Exchange and loans of money or securities may be made after the official closing of the Exchange.

### **Rule 53 - Equities. Dealings on Floor—Securities**

*This Rule is not applicable to trading on the Pillar trading platform.*

Only securities admitted to dealings on an 'issued,' 'when issued,' or 'when distributed' basis shall be dealt in upon the Exchange.

### **Rule 54 - Equities. Dealings on Floor—Persons**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Only members shall be permitted to make or accept bids and offers, consummate transactions or otherwise transact business on the Floor in any security admitted to dealings on the Exchange.

(b) Notwithstanding paragraph (a) above, an appropriately registered and supervised booth clerk working in a member organization's booth premise that is approved by Exchange regulatory staff to operate its booth premise similar to the member

organization's `upstairs' office pursuant to Rule 70.40 - Equities shall be allowed to process orders sent to the booth in the same manner that sales traders in a member organization's `upstairs office' are allowed to process orders.

### **Rule 55 - Equities. Unit of Trading—Stocks and Bonds**

*This Rule is not applicable to trading on the Pillar trading platform.*

The unit of trading in stocks shall be one share. Securities traded on the Exchange shall be quoted in round lots (generally 100 shares), except that in the case of certain stocks designated by the Exchange the round lot shall be such lesser number of shares as may be determined by the Exchange, with respect to each stock so designated. Stocks designated with round lots of less than 100 shares shall be dealt in pursuant to the provisions of Rule 64. Odd-lots are orders for shares less than the applicable round lot. Part of a round lot ("PRL") orders are orders in more than one round lot but not a multiple thereof (such as 175 shares). The unit of trading in bonds is set forth in Rule 86 - Equities.

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### **[Rules 57 - Equities—Rule 59 - Equities**

Reserved.]

### **Auction Market—Bids and Offers (Rules 60 - Equities—80B - Equities)**

### **Rule 60 - Equities. Dissemination of Quotations**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a)(i) For purposes of this rule, the terms `vendor', `bid', `offer', `NMS security', `quotation size', `published bid', `published offer', `published quotation size', `make publicly available', `aggregate quotation size' and `specified persons' shall have the meaning given to them in Section 242.602 ( "Rule 602") of Regulation National Market System ("Reg. NMS"), 17 CFR Part 242 . A bid or offer may also be the aggregation of odd-lot orders the sum of which is equal to or greater than a round lot that will be quoted pursuant to the provision of Rule 55.

(ii) For the purposes of this rule and Rule 602 of Reg. NMS as applied to the Exchange and its members, the term "responsible broker or dealer" shall mean, with respect to any bid or offer for any NMS security made available by the Exchange to vendors, the member or member organization who enters a bid or offer in such NMS security, to the extent of the quotation size such member or member organization specifies.

(b) Each member or member organization who is a responsible broker or dealer shall, in addition to meeting the obligations as set forth in paragraph (b) of Rule 602 of Reg. NMS as applicable to such member or member organization under this rule, also abide by such

rules and procedures adopted by the Exchange, in order to enable the Exchange to meet its quotation dissemination requirements under paragraph (a) of Rule 602 of Reg. NMS as applicable to the Exchange under this rule.

(c) With respect to paragraph (a) of Rule 602 of Reg. NMS, the Exchange shall, at all times it is open for trading, collect, process and make available to quotation vendors the highest bid and the lowest offer, and the quotation size or the aggregate quotation size associated therewith, in each NMS security in accordance with paragraphs (d) and (f) below (excluding any such bid or offer which is executed immediately after being made in the crowd and any such bid or offer which is canceled or withdrawn if not executed immediately after being made) except during any period when trading in such NMS security has been suspended or halted, or prior to the commencement of trading in such NMS security on any trading day. Bids and offers on the Exchange, and associated quotation sizes and aggregate quotations sizes, shall be collected, processed and made available to vendors as follows:

(i) Normal Mode—Unless otherwise designated pursuant to the provisions of subparagraphs (c)(ii), the market for each NMS security shall be considered to be in a 'normal mode'. While such market is in a normal mode, the member or member organization who enters a bid or offer into Exchange systems shall be deemed the 'responsible broker or dealer' with respect to any bid or offer made available by the Exchange to vendors.

(d) Autoquoting of highest bid/lowest offer. The Exchange will autoquote the Exchange's highest bid or lowest offer to reflect non-marketable limit orders, Floor broker agency interest (also referred to as 'e-Quotes') pursuant to the provisions of Rule 70 - Equities, Floor broker proprietary interest (also referred to as 'G-quotes') pursuant to provisions of Section 11(a)(1)(G) of the Securities Exchange Act of 1934 as amended, and DMM interest pursuant to the provisions of Rule 104(d)(i) - Equities whenever it is at a price higher (lower) than the previously disseminated highest (lowest) bid (offer). When the Exchange's highest bid or lowest offer has been executed or cancelled in its entirety, the Exchange will autoquote a new bid or offer reflecting the total size of displayable orders at the next highest (in the case of a bid) or lowest (in the case of an offer) price.

(i) Autoquote will be suspended when a block-size transaction as defined in Rule 127.10 - Equities that involves orders on the Display Book® is being reported manually.

(ii) Autoquote will resume immediately after the report of a block-size transaction involving orders on the Display Book®.

(iii) When automatic executions are suspended pursuant to Rule 1000(a) - Equities, autoquote will update the quote as follows:

(A) if part of the existing Exchange best bid (offer) cancels, the remaining volume associated with such bid (offer) will be autoquoted.

(B) if the entire existing Exchange best bid (offer) cancels, one round lot at the bid (offer) price that existed at the time of the cancellation will be autoquoted.

(C) if there is a cancellation of the Exchange best bid (offer) whenever the Display Book is internally locked or crossed and autoquoting of the next best bid (offer) would create a locked or crossed market on the Exchange, one round lot at the bid (offer) price that existed at the time of the cancellation will be autoquoted.

(e) In addition to meeting its obligations as set forth in paragraph (a) of Rule 602 of Reg. NMS as applicable to the Exchange under this Rule 60 - Equities, the Exchange shall make available to vendors and shall communicate to other specified persons the appropriate mode identifier in effect as to each NMS security that shall, in the case of the initiation and termination of non-firm modes, effect the requisite notification and re-notification of specified persons under subparagraph (a)(3) of Rule 602 of Reg. NMS.

(f)(i) The Exchange shall promptly report in each NMS security the highest bid and lowest offer made in such security and the associated quotation size that the Exchange wishes to make available to vendors.

(ii) Each member or member organization who is a responsible broker or dealer on the Floor shall:

(A) promptly report as to the NMS security whenever a bid, offer or quotation size previously reported is to be revised; and

(B) promptly report as to the NMS security whenever a bid and/or offer previously reported is to be cancelled or withdrawn.

• • • ***Supplementary Material:***

.10 No member or member organization shall be deemed to be a responsible broker or dealer with respect to a published bid or offer that is erroneous as a result of an error or omission made by the Exchange or any vendor.

.20 While the market for a reported security is in a 'normal mode', the member or member organization that made the bid or offer shall honor any bid or offer then being displayed by vendors which is erroneous, up to the quotation size then being so displayed, which has been displayed for six minutes or more on the Price Display Unit at the post. Provided, however, that such member or member organization shall not be required to honor such a bid or offer which is erroneous as to either price or size or both if:

(i) as a matter of record, an execution, cancellation or update of such bid or offer was in effect or in process;

- (ii) in honoring such a bid or offer, the resulting transaction would violate applicable Exchange rules or federal regulations;
- (iii) equipment failure prevents the member or member organization from monitoring such bid or offer; or
- (iv) the price sought upon such quotation is above the current bid or below the current offer, on the Floor, by (a) one-half point or more in the case of an NMS security trading at \$50 or less or (b) one point or more in the case of an NMS security trading at more than \$50.

**[Rule 60A - Equities. Deleted]**

Deleted.]

**Rule 61 - Equities. Recognized Quotations**

*This Rule is not applicable to trading on the Pillar trading platform.*

**Round lots, Odd-lots and Part of Round Lots ("PRL")**

a. Bids and offers in securities.

- (i) All bids and offers for more than one trading unit are eligible for execution for the amount specified or for any lesser number of units.
- (ii) Transactions in part of a round lot ("PRL") amounts, i.e., orders in more than one round lot but not a multiple thereof (such as 175 shares), will be published to the Consolidated Tape and may qualify as a last sale.
- (iii) A transaction of an amount less than one round lot shall be published to the Consolidated Tape but does not qualify as a last sale.

b. Bids and offers in bonds are governed by the provisions of Rule 86.

**Rule 62 - Equities. Variations**

*This Rule is not applicable to trading on the Pillar trading platform.*

Bids or offers in securities admitted to trading on the Exchange may be made in such variations as the Exchange shall from time to time determine and make known to its membership.

• • • **Supplementary Material:**

The minimum price variation (MPV) for quoting and entry of orders in equity securities admitted to dealings on the Exchange shall be as follows:

<b>Price of Order or Interest</b>	<b>Minimum Price Variation</b>
Less Than \$1.00	\$.0001
\$1.00 or greater	\$.01

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**[Rule 65 - Equities. Reserved**

Reserved.]

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**Rule 67 - Equities. Tick Size Pilot Plan**

*This Rule is not applicable to trading on the Pillar trading platform.*

The provisions of this Rule will be in effect during a pilot to coincide with the pilot period for the Regulation NMS Tick Size Pilot Plan.

**(a) Tick Size Pilot Program**

**(1) Definitions.**

- (A) "Plan" means the Tick Size Pilot Plan Submitted to the Securities and Exchange Commission Pursuant to Rule 608(a)(3) of Regulation NMS under the Exchange Act.
- (B) "Pilot Test Groups" means the three test groups established under the Plan, consisting of 400 Pilot Securities each, which satisfy the respective criteria established by the Plan for each such test group.
- (C) "Retail Investor Order" means an agency order or a riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Corporation by a retail ETP Holder, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology. A Retail Investor Order may be an odd lot, round lot, or partial round lot.



(D) "Trade-at Intermarket Sweep Order" means a limit order for a Pilot Security that meets the following requirements:

- (i) When routed to a Trading Center, the limit order is identified as a Trade-at Intermarket Sweep Order; and
- (ii) Simultaneously with the routing of the limit order identified as a Trade-at Intermarket Sweep Order, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the Pilot Security with a price that is better than or equal to the limit price of the limit order identified as a Trade-at Intermarket Sweep Order. These additional routed orders also must be marked as Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders.

(E) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan, Regulation NMS under the Exchange Act, or Corporation rules, as applicable.

- (2) Exchange Compliance in the Plan. The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes a Tick Size Pilot Program that will allow the Securities and Exchange Commission, market participants, and the public to study and assess the impact of increment conventions on the liquidity and trading of the common stocks of small capitalization companies.
- (3) Member Organization Compliance. Member organizations shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the applicable requirements of the Plan.
- (4) Exchange Compliance with the Plan. Exchange systems will not display, quote or trade in violation of the applicable quoting and trading requirements for a Pilot Security specified in the Plan and this Rule, unless such quotation or transaction is specifically exempted under the Plan.
- (5) Pilot Securities That Drop Below \$1.00 during the Pilot Period. If the price of a Pilot Security drops below \$1.00 during regular trading on any given business day, such Pilot Security will continue to be subject to the Plan and the requirements enumerated in (c)-(e) below and will continue to trade in accordance with such Rules as if the price of the Pilot Security had not dropped below \$1.00. However, if the Closing Price of a Pilot Security on any given business day is below \$1.00, such Pilot Security will be moved out of its respective Pilot Test Group into the Control Group, and may then be quoted and traded at any price increment that is currently permitted by Exchange rules for the remainder of the Pilot Period. Notwithstanding anything contained herein to the contrary, at all times during the Pilot Period, Pilot Securities (whether in the Control Group or any Pilot Test Group) will continue to be subject to the requirements contained in Paragraph (b).

## (b) Compliance with Data Collection Requirements

- (1) Policies and Procedures Requirement. A member organization that operates a Trading Center shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Items I and II of Appendix B of the Plan, and a member organization that is a Market Maker shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data collection and transmission requirements of Item IV of Appendix B of the Plan and Item I of Appendix C of the Plan.
- (2) The Exchange shall collect and transmit to the SEC the data described in Items I and II of Appendix B of the Plan relating to trading activity in Pre-Pilot Data Collection Securities and Pilot Securities on a Trading Center operated by the Exchange. The Exchange shall transmit such data to the SEC in a pipe delimited format, on a disaggregated basis by Trading Center, within 30 calendar days following month end for:
  - (A) Each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and
  - (B) Each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the member organization that generated the data.

## (3) Daily Market Maker Participation Statistics Requirement

- (A) A member organization that is a Market Maker shall collect and transmit to their Designated Examining Authority ("DEA") data relating to Item IV of Appendix B of the Plan, with respect to activity conducted on any Trading Center in Pre-Pilot Data Collection Securities and Pilot Securities in furtherance of its status as a Market Maker, including a Trading Center that executes trades otherwise than on a national securities exchange, for transactions that have settled or reached settlement date. Market Makers shall transmit such data in a format required by their DEA by 12:00 p.m. EST on T+4:
  - (i) For transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) For transactions in each Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) A member organization that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (3)(A) above to the Financial Industry Regulatory Authority, Inc. ("FINRA"). Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 in accordance with paragraphs (3)(A)(i) and (ii) above.

(C) The Exchange shall transmit the data collected by the DEA or FINRA pursuant to paragraphs (3)(A) and (B) above relating to Market Maker activity on a Trading Center operated by the Exchange to the SEC in a pipe delimited format within 30 calendar days following month end. The Exchange shall also make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the Trading Center that generated the data.

#### (4) Market Maker Profitability

(A) A member organization that is a Market Maker shall collect and transmit to their DEA the data described in Item I of Appendix C of the Plan with respect to executions on any Trading Center that have settled or reached settlement date. Market Makers shall transmit such data in a format required to their DEA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in each:

(i) Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through thirty-one days prior to the first day of the Pilot Period; and

(ii) Pilot Security for the period beginning thirty days prior to the first day of the Pilot Period through six months after the end of the Pilot Period.

(B) A member organization that is a Market Maker whose DEA is not a Participant to the Plan shall transmit the data collected pursuant to paragraph (4)(A) above to FINRA. Market Makers shall transmit such data in a format required by FINRA by 12:00 p.m. EST on T+4 for executions during and outside of Regular Trading Hours in accordance with paragraphs (4)(A)(i) and (ii) above.

(5) Market Maker Registration Statistics. The Exchange shall collect and transmit to the SEC the data described in Item III of Appendix B of the Plan relating to daily Market Maker registration statistics in a pipe delimited format within 30 calendar days following month end for:

(A) Transactions in each Pre-Pilot Data Collection Security for the period beginning six months prior to the Pilot Period through the trading day immediately preceding the Pilot Period; and

(B) Transactions in each Pilot Security for the period beginning on the first day of the Pilot Period through six months after the end of the Pilot Period.

The Exchange also shall make such data publicly available on the Exchange web site within 120 calendar days following month end at no charge and shall not identify the member organization that generated the data.

(c) Pilot Securities in Test Group One will be subject to the following requirement: No member organization may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the national best bid and national best offer ("NBBO") or best protected bid and best protected offer ("PBBO") and orders entered in the Exchange's Retail Liquidity Program as Retail Price Improvement Orders (as defined in Rule 107C - Equities) may be ranked and accepted in increments of less than \$0.05. Pilot Securities in Test Group One may continue to trade at any price increment that is currently permitted by Rule 62.10 - Equities.

(d) Pilot Securities in Test Group Two shall be subject to the following requirements:

(1) No member organization may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO and orders entered in the Exchange's Retail Liquidity Program as Retail Price Improvement Orders (as defined in Rule 107C - Equities) may be ranked and accepted in increments of less than \$0.05.

(2) Absent any of the exceptions listed in (3) below, no member organization may execute orders in any Pilot Security in Test Group Two in price increments other than \$0.05. The \$0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(3) Pilot Securities in Test Group Two may trade in increments less than \$0.05 under the following circumstances:

(A) Trading may occur at the midpoint between the NBBO or the PBBO;

(B) Retail Investor Orders may be provided with price improvement that is at least \$0.005 better than the PBBO;

(C) Negotiated Trades may trade in increments less than \$0.05; and

(D) Execution of a customer order to comply with Rule 5320 - Equities following the execution of a proprietary trade by the member organization at an increment other than \$0.05, where such proprietary trade was permissible pursuant to an exception under the Plan.

(e) Pilot Securities in Test Group Three shall be subject to the following requirements:

(1) No member organization may display, rank, or accept from any person any displayable or non-displayable bids or offers, orders, or indications of interest in increments other than \$0.05. However, orders priced to trade at the midpoint of the NBBO or PBBO and orders entered in the Exchange's Retail Liquidity Program as Retail Price Improvement Orders (as defined in Rule 107C - Equities) may be ranked and accepted in increments of less than \$0.05.

(2) Absent any of the exceptions listed in (3) below, no member organization may execute orders in any Pilot Security in Test Group Three in price increments other than \$0.05. The \$0.05 trading increment will apply to all trades, including Brokered Cross Trades.

(3) Pilot Securities in Test Group Three may trade in increments less than \$0.05 under the following circumstances:

(A) Trading may occur at the midpoint between the NBBO or PBBO;

(B) Retail Investor Orders may be provided with price improvement that is at least \$0.005 better than the Best Protected Bid or the Best Protected Offer;

(C) Negotiated Trades may trade in increments less than \$0.05; and

(D) Execution of a customer order to comply with Rule 5320 - Equities following the execution of a proprietary trade by the member organization at an increment other than \$0.05, where such proprietary trade was permissible pursuant to an exception under the Plan.

(4) Pilot Securities in Test Group Three will be subject to the following Trade-at Prohibition:

(A) "Trade-at Prohibition" means the prohibition against executions by a Trading Center of a sell order for a Pilot Security at the price of a Protected Bid or the execution of a buy order for a Pilot Security at the price of a Protected Offer during regular trading hours.

(B) Absent any of the exceptions listed in (C) below, no member organization may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer.

(C) Member organizations may execute a sell order for a Pilot Security in Test Group Three at the price of a Protected Bid or execute a buy order for a Pilot Security in Test Group Three at the price of a Protected Offer if any of the following circumstances exist:

- (i) The order is executed as agent or riskless principal by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within a member organization that has a displayed quotation as agent or riskless principal, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;
- (ii) The order is executed by an independent trading unit, as defined under Rule 200(f) of Regulation SHO, of a Trading Center within a member organization that has a displayed quotation for the account of that Trading Center on a principal (excluding riskless principal) basis, via either a processor or an SRO Quotation Feed, at a price equal to the traded-at Protected Quotation, that was displayed before the order was received, but only up to the full displayed size of that independent trading unit's previously displayed quote;
- (iii) The order is of Block Size at the time of origin and may not be:
  - A. an aggregation of non-block orders; or
  - B. broken into orders smaller than Block Size prior to submitting the order to a Trading Center for execution.
- (iv) The order is a Retail Investor Order executed with at least \$0.005 price improvement;
- (v) The order is executed when the Trading Center displaying the Protected Quotation that was traded at was experiencing a failure, material delay, or malfunction of its systems or equipment;
- (vi) The order is executed as part of a transaction that was not a "regular way" contract;
- (vii) The order is executed as part of a single-priced opening, reopening, or closing transaction on the Exchange;
- (viii) The order is executed when a Protected Bid was priced higher than a Protected Offer in the Pilot Security;
- (ix) The order is identified as a Trade-at Intermarket Sweep Order;

- (x) The order is executed by a Trading Center that simultaneously routed Trade-at Intermarket Sweep Orders or Intermarket Sweep Orders to execute against the full displayed size of the Protected Quotation that was traded at;
- (xi) The order is executed as part of a Negotiated Trade;
- (xii) The order is executed when the Trading Center displaying the Protected Quotation that was traded at had displayed, within one second prior to execution of the transaction that constituted the Trade-at, a Best Protected Bid or Best Protected Offer, as applicable, for the Pilot Security with a price that was inferior to the price of the Trade-at transaction;
- (xiii) The order is executed by a Trading Center which, at the time of order receipt, the Trading Center had guaranteed an execution at no worse than a specified price (a "stopped order"), where:
  - A. The stopped order was for the account of a customer;
  - B. The customer agreed to the specified price on an order-by-order basis; and
  - C. The price of the Trade-at transaction was, for a stopped buy order, equal to or less than the National Best Bid in the Pilot Security at the time of execution or, for a stopped sell order, equal to or greater than the National Best Offer in the Pilot Security at the time of execution, as long as such order is priced at an acceptable increment;
- (xiv) The order is for a fractional share of a Pilot Security, provided that such fractional share order was not the result of breaking an order for one or more whole shares of a Pilot Security into orders for fractional shares or was not otherwise effected to evade the requirements of the Trade-at Prohibition or any other provisions of the Plan; or
- (xv) The order is to correct a bona fide error, which is recorded by the Trading Center in its error account. A bona fide error is defined as:
  - A. The inaccurate conveyance or execution of any term of an order including, but not limited to, price, number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; lost or otherwise misplaced order tickets; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
  - B. The unauthorized or unintended purchase, sale, or allocation of securities, or the failure to follow specific client instructions;

C. The incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals, or securities positions reflected in an account; or

D. A delay, outage, or failure of a communication system used to transmit market data prices or to facilitate the delivery or execution of an order.

(D) No member organization shall break an order into smaller orders or otherwise effect or execute an order to evade the requirements of the Trade-at Prohibition of this Rule or any other provisions of the Plan.

(f) Exchange handling of orders during the pilot period for the Plan.

(1) Trade-at Intermarket Sweep Orders ("TA ISO")

(A) The Exchange will accept TA ISOs in all securities. TA ISOs must be designated as IOC, may include a minimum trade size, and do not route.

(B) A TA ISO will be immediately and automatically executed against the displayed and non-displayed bid (offer) up to its full size in accordance with and to the extent provided by Exchange Rules 1000 - Equities - 1004 - Equities and will then sweep the Exchange's book as provided in Rule 1000(e)(iii) - Equities, and the portion not so executed will be immediately and automatically cancelled.

(C) TA ISOs will be accepted before the Exchange opens and will be eligible to participate in the opening transaction at its limit price, but will not be accepted during a trading halt or pause for participation in a reopening transaction.

(D) TA ISOs may not be entered as e-Quotes, d-Quotes, or g-Quotes.

(2) For Pilot Securities in Test Groups One, Two, and Three:

(A) References in Exchange rules to the minimum price variation, as defined in Supplementary Material .10 to Rule 62 - Equities, instead mean the quoting minimum price variation specified in paragraphs (c), (d), and (e) of this Rule.

(B) Pre-opening indications, as defined in Rule 15(a) - Equities, must be published in \$0.05 pricing increments.

(C) MPL Orders must be entered with a limit price in a \$0.05 pricing increment.

(D) Trading Collars that are not in the trading MPV for the security will be moved to the nearest price in the trading MPV for that security.



- (3) For Pilot Securities in Test Groups Two and Three, Retail Price Improvement Orders must be entered with a limit price and an offset in a \$0.005 pricing increment.
- (4) For Pilot Securities in Test Group Three:
  - (A) An incoming automatically executing order to sell (buy) will trade with displayable bids (offers) and route to protected bids (offers) before trading with an unexecuted Market Order held undisplayed at the same price. After trading or routing, or both, any remaining balance of an incoming order will satisfy any unexecuted Market Orders in time priority before trading with non-displayable interest on parity.
  - (B) Intermarket Sweep Orders:
    - (i) On entry, Day ISOs will be eligible for the exception set forth in paragraph (e)(4)(C)(ix) of this Rule.
    - (ii) An IOC ISO to buy (sell) will not trade with non-displayed interest to sell (buy) that is the same price as a protected offer (bid) unless the limit price such IOC ISO is higher (lower) than the price of the protected offer (bid).
  - (C) A resting order to buy (sell) that is not displayed at the price at which it is eligible to trade ("Non-displayed interest"):
    - (i) Will not trade at the price of a protected offer (bid).
    - (ii) Will not trade at the price of a protected bid (offer) unless the incoming order to sell (buy) is a TA ISO, Day ISO, or IOC ISO that has a limit price lower (higher) than the price of the non-displayed interest.
    - (iii) Will be routed, cancelled, or re-priced, consistent with the terms of the order, to avoid trading with an arriving order at the price of a protected quotation.
  - (D) Reserved.
  - (E) The only orders eligible for the exception set forth in paragraph (e)(4)(C)(iii) of this Rule are buy and sell orders that are entered into the Cross Function pursuant to Supplementary Material .10 to Rule 76 - Equities.
  - (F) Incoming orders designated with an STPN Modifier will cancel before routing or trading with non-displayed orders if the opposite-side resting interest marked with an STP modifier with the same MPID is a displayed order.
  - (G) g-Quotes and Buy Minus/Zero Plus Orders will be rejected.

- (5) In all Pilot Securities, d-Quotes to buy (sell) will not exercise discretion as provided for in Rule 70.25 - Equities if (i) exercising such discretion would result in an execution equal to or higher (lower) than the price of a protected offer (bid), or (ii) the price of a protected bid (offer) is equal to or higher (lower) than the filed price of the d-Quote.

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**.10** For purposes of the reporting requirement in Appendix B.II.(n), a Trading Center shall report "Y" to their DEA where it is relying upon the Retail Investor Order exception to Test Groups Two and Three, and "N" in all other instances.

**.20** For purposes of Appendix B.I, the field "Affected by Limit-Up Limit-Down bands" shall be included. A Trading Center shall report a value of "Y" to their DEA when the ability of an order to execute has been affected by the Limit-Up Limit-Down (LULD) bands in effect at the time of order receipt. A Trading Center shall report a value of "N" to their DEA when the ability of an order to execute has not been affected by the LULD bands in effect at the time of order receipt. For purposes of Appendix B.I, the Participants shall classify all orders in Pilot and Pre-Pilot Securities that may trade in a foreign market as: (1) fully executed domestically or (2) fully or partially executed on a foreign market. For purposes of Appendix B.II, the Participants shall classify all orders in Pilot Securities and Pre-Pilot Data Collection Securities that may trade in a foreign market as: (1) directed to a domestic venue for execution; (2) may only be directed to a foreign venue for execution; or (3) fully or partially directed to a foreign venue at the discretion of the member organization.

**.30** (a) For purposes of Appendix B.I.a(14), B.I.a(15), B.I.a(21) and B.I.a(22), the time ranges shall be changed as follows:

- (1) Appendix B.I.a(14A): The cumulative number of shares of orders executed from 100 microseconds to less than 1 millisecond after the time of order receipt;
- (2) Appendix B.I.a(15): The cumulative number of shares of orders executed from 1 millisecond to less than 100 milliseconds after the time of order receipt;
- (3) Appendix B.I.a(21A): The cumulative number of shares of orders canceled from 100 microseconds to less than 1 millisecond after the time of order receipt; and
- (4) Appendix B.I.a(22): The cumulative number of shares of orders canceled from 1 millisecond to less than 100 milliseconds after the time of order receipt.

(b) For purposes of Appendix B.I.a(21) through B.I.a(27), unexecuted Immediate or Cancel orders shall be categorized separately irrespective of the duration of time after order receipt.

**.40** For purposes of Appendix B.I.a(31)-(33), the relevant measurement is the time of order receipt.

**.50** For purposes of Appendix B, the following order types and numbers shall be included and assigned the following numbers: "not held" orders (18); clean cross orders (19); auction orders (20); orders that cannot otherwise be classified, including orders received when the NBBO is crossed (21); and limit orders priced more than \$0.10 away from NBBO (22). For purposes of order types 12-14 in Appendix B, such order types shall include all orders and not solely "resting" orders.

**.60** A member organization shall not be deemed a Trading Center for purposes of Appendix B of the Plan where that member organization only executes orders otherwise than on a national securities exchange for the purpose of: (i) correcting a bona fide error related to the execution of a customer order; (ii) purchases a security from a customer at a nominal price solely for purposes of liquidating the customer's position; or (iii) completing the fractional share portion of an order.

**.70** A Trading Center shall begin the data collection required pursuant to Appendix B.I.a(1) through B.II.(y) of the Plan and Item I of Appendix C of the Plan on April 4, 2016. The requirement that the Exchange or their DEA provide information to the SEC within 30 days following month end pursuant to Appendix B and C of the Plan shall commence at the beginning of the Pilot Period. With respect to data for the Pilot Period, the requirement that the Exchange or their DEA make certain data publicly available on the Exchange's or DEA's website pursuant to Appendix B and C to the Plan shall commence at the beginning of the Pilot Period. Notwithstanding the provisions of paragraphs (b)(2), (b)(3)(C) and (b)(5) of this Rule, the Exchange or their DEA shall make data for the Pre-Pilot Period publicly available on the Exchange's or DEA's website pursuant to Appendix B and C to the Plan by February 28, 2017.

**.80** For purposes of Item I of Appendix C, the Participants shall calculate daily Market Maker realized profitability statistics for each trading day on a daily last in, first out (LIFO) basis using reported trade price and shall include only trades executed on the subject trading day. The daily LIFO calculation shall not include any positions carried over from previous trading days. For purposes of Item I.c of Appendix C, the Participants shall calculate daily Market Maker unrealized profitability statistics for each trading day on an average price basis. Specifically, the Participants must calculate the volume weighted average price of the excess (deficit) of buy volume over sell volume for the current trading day using reported trade price. The gain (loss) of the excess (deficit) of buy volume over sell volume shall be determined by using the volume weighted average price compared to the closing price of the security as reported by the primary listing exchange. In calculating unrealized trading profits, the Participant also shall report the number of excess (deficit) shares held by the Market Maker, the volume weighted average price of that excess (deficit), and the closing price of the security as reported by the primary listing exchange used in reporting unrealized profit.

**.90** "Pre-Pilot Data Collection Securities" are the securities designated by the Participants for purposes of the data collection requirements described in Items I, II and 48 of 48 IV of Appendix B and Item I of Appendix C of the Plan for the period beginning six months prior to the Pilot Period through thirty-one days prior to the Pilot Period. The Participants shall compile the list of Pre-Pilot Data Collection Securities by selecting all NMS stocks with a market capitalization of \$5 billion or less, a Consolidated Average Daily Volume (CADV) of 2 million shares or less and a closing price of \$1 per share or more. The market capitalization and the closing price thresholds shall be applied to the last day of the pre-pilot measurement period, and the CADV threshold shall be applied to the duration of the pre-pilot measurement period. The Pre-Pilot measurement period shall be the three calendar months ending on the day when the Pre-Pilot Data Collection Securities are selected. The Pre-Pilot Data Collection Securities shall be selected thirty days prior to the commencement of the six-month Pre-Pilot Period.

**.100** For purposes of Appendix B.IV, the count of the number of Market Makers used in the calculation of share (trade) participation shall be added to each category. For purposes of Appendix B.IV(b) and (c), share participation and trade participation shall be calculated by using a total count instead of a share-weighted average or a trade-weighted average. For purposes of Appendix B, B.IV(d) (cross-quote share (trade) participation), (e) (inside-the-quote share (trade) participation), (f) (at-the-quote share (trade) participation), and (g) (outside-the-quote share (trade) participation), shall be calculated by reference to the National Best Bid or National Best Offer in effect immediately prior to the trade.

## **[Rule 69 - Equities**

Reserved.]

## **Rule 70 - Equities. Execution of Floor Broker Interest**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) (i) With respect to orders he or she is representing on the Floor, a Floor broker may place within Exchange systems broker agency interest files (also referred to as e-Quotes<sup>SM</sup>) at multiple price points on both sides of the market with respect to each security trading in the location(s) comprising the Crowd such Floor broker is a part of with respect to orders he or she is representing on the Floor, except that the agency interest files shall not include Market Orders or ISOs.

(ii) The requirement that a Floor broker be in the Crowd in order to have agency interest files does not apply to orders governed by Section 11(a)(1)(G) of the Securities Exchange Act of 1934 ('G' orders, also referred to as G-Quotes, when submitted as a Floor broker agency interest file).

(iii) A g-Quote to buy (sell) that would be required to route on arrival will be cancelled if there is resting displayable interest that is not a g-Quote or DMM interest to buy (sell) at the same or higher (lower) price as the g-Quote.

(b)(i) Floor broker agency interest placed within files in Exchange systems shall become part of the quotation when it is at or becomes the Exchange BBO and shall be executed in accordance with Rule 72 - Equities. Floor broker agency interest placed within files shall be automatically executed, in accordance with, and to the extent provided by, Rules 1000 - Equities-1004 - Equities.

(ii) A Floor broker shall have the ability to maintain reserve interest consistent with Exchange rules governing Reserve Orders. Such reserve interest is eligible for execution in manual transactions.

(iii) If an execution involving a Floor broker's agency interest at the Exchange BBO that does not exhaust the broker's interest at that price, the displayed interest will be automatically replenished from his or her reserve interest, if any, so that at least one round-lot of the broker's interest is displayed consistent with Exchange rules governing Reserve Orders.

(c) A Floor broker may trade on behalf of his or her orders as part of the Crowd at the same price and on the same side of the market as his or her agency interest placed within files only to the extent that the volume traded in the Crowd is not included in the agency interest files.

(d) A Floor broker's agency interest files must be cancelled when he or she leaves the Crowd, except that a Floor broker may leave the Crowd without canceling his or her agency interest files to recharge his or her handheld device. In addition, Floor brokers may leave the Crowd without canceling his or her agency interest files to obtain "market looks" in securities located at panels that are part of another Crowd. Failure to adhere to these provisions is a violation of Exchange rules. The Floor broker shall be held to all executions involving his or her agency interest files.

(e) The aggregate number of shares of e-Quotes at each price shall be made available to the DMM in securities registered with the DMM. A DMM shall have access to information about e-Quotes on a disaggregated basis, except as provided in subparagraph (f) below.

(f) A Floor broker may enter e-Quotes with reserve interest ("Reserve e-Quotes") with or without a "displayable" portion (as defined in Rule 13(d)(2)(A) - Equities). A Reserve e-Quote entered with a portion of the order displayable must have a minimum of one round lot displayable ("Minimum Display Reserve e-Quote"). Exchange systems shall display and process Reserve e-Quotes consistent with the provisions of Rule 1313(d)(2) - Equities). governing Reserve Orders, subject to the provisions below:

(i) A Minimum Display Reserve e-Quote shall participate in both automatic and manual executions. Information about Minimum Display Reserve e-Quotes, including the reserve portion, is included in the aggregated interest at each price point available to DMMs and shall be made available to the DMM on a disaggregated basis. If a Floor broker chooses to exclude a Minimum Display Reserve e-Quote from the DMM: (A) the entire Minimum Display Reserve e-Quote shall be available to the DMM as part of the aggregated interest at a price point; and (B) none of the Minimum Display Reserve e-Quote shall be available to the DMM on a disaggregated basis.

(ii) A Reserve e-Quote without a displayable portion ("Non-Display Reserve eQuote") shall participate in both automatic and manual executions. Information about Non-Display Reserve e-Quotes shall be included in the aggregated interest at each price point available to DMMs and shall be made available to the DMM on a disaggregated basis. If a Floor broker chooses to exclude a Non-Display Reserve eQuote from the DMM, information about the Non-Display Reserve e-Quote shall not be available to the DMM either as part of the aggregated interest at a price point or in disaggregated form and the excluded Non-Display Reserve e-Quote shall not participate in manual executions.

(g) The Floor broker is the executing broker for transactions involving his or her agency interest files.

(h)(i) Floor broker agency interest placed within files may participate in the opening and closing trades in accordance with Exchange policies and procedures governing the open and close and the provisions of Supplementary Material .25 and .26 below.

(ii) Floor broker agency interest may be placed within files prior to the opening trade, regardless of the Floor broker's location on the Floor, provided they have complied with the requirements of Rule 123(e) - Equities. However, Floor brokers must be in the Crowd at the open in order to participate in the opening trade and any agency interest entered prior to the open in securities that are not part of such Crowd must be cancelled before the open.

(i) The ability of a Floor broker to have reserve interest will be available during the open and during the close. The ability of a Floor broker to exclude volume from information available to the DMM will not be available during the open and the close.

(j) Nothing in this rule shall be interpreted as modifying or relieving the Floor broker from his or her agency obligations and required compliance with all SEC and Exchange rules, policies and procedures.

• • • *Supplementary Material:*

**.25 Discretionary Instructions for Bids and Offers Represented via Floor Broker Agency Interest Files (e-Quotes<sup>SM</sup>)**

(a)(i) A Floor broker may enter discretionary instructions as to size and/or price with respect to his or her e-Quotes ('discretionary e-Quotes' or 'd-Quotes'). The discretionary instructions relate to the price at which the d-Quote may trade and the number of shares to which the discretionary price instructions apply.

(ii) Discretionary instructions are active during the trading day, unless the PBBO is crossed, and at the opening, reopening and closing transactions, and may include instructions to participate in the opening or closing transaction only. Exchange systems will reject any d-Quotes that are entered 10 seconds or less before the scheduled close of trading. Executions of d-Quotes within the discretionary pricing instruction range are considered non-displayable interest for purposes of Rule 72.

(iii) Reserved.

(iv) Discretionary instructions will be applied only if all d-Quoting prerequisites are met. Otherwise, the d-Quote will be handled as a regular e-Quote, notwithstanding the fact that the Floor broker has designated the e-Quote as a d-Quote. For example, to be considered a discretionary e-Quote, an e-Quote must have a discretionary price range.

(v) The requirements for e-Quotes apply to d-Quotes, including the requirement that the Floor broker be in the Crowd.

(vi) A Floor broker may have multiple d-Quotes, with different discretionary price and size limitations, on the same side of the market. Except as provided for in Rule 70.25(d)(ii), such multiple d-Quotes do not compete with each other for executions. Trading volume is allocated by Floor broker, not number of d-Quotes participating in an execution.

(vii) Discretionary instructions apply to both displayed and reserve interest, including reserve interest that is excluded from the information available to the DMM on the Floor.

(viii) Neither the DMM on the Floor nor the DMM unit's system employing algorithms will have access to the discretionary instructions entered by Floor brokers with respect to their e-Quotes.

#### (b) Price Discretion

(i) A Floor broker may set a discretionary price range that specifies the prices at which the Floor broker is willing to trade. This discretion will be used, as necessary, to initiate or participate in a trade with interest capable of trading at a price within the discretionary price range, unless the interest reaches a Trading Collar or Price Band, whichever is reached first.

(ii) The minimum price range for a discretionary e-Quote is the minimum price variation set forth in Rule 62 - Equities, except for d-Quotes with a midpoint modifier.

(iii) Floor brokers may specify that price discretion applies to all or only a portion of their d-Quote. Price discretion is necessary for d-Quotes. Therefore, if price discretion is provided for only a portion of the d-Quote, the residual will be treated as an e-Quote.

(iv) When price discretion is used, d-Quotes trade first from reserve volume, if any, and then from displayed volume.

(v) A d-Quote may be designated with a midpoint modifier. The discretionary price range of such an order will be to the midpoint of the PBBO.

#### (c) Discretionary Size

(i) A Floor broker may designate the amount of his or her e-Quote volume to which discretionary price instructions shall apply.

(ii) A Floor broker may designate a minimum size of contra-side volume with which it is willing to trade using discretionary price instructions.

(iii) All available contra-side interest at a possible execution price of the d-Quote will be used by Exchange systems to determine whether the size of contra-side volume is within the d-Quote's discretionary size range.

(iv) Interest displayed by other market centers at the price at which a d-Quote may trade will not be considered by Exchange systems unless the Floor broker designates that such away volume should be included in this determination.

(v) An increase or reduction in the size associated with a particular price that brings the contra-side volume within a d-Quote's minimum discretionary size parameter, will trigger an execution of that d-Quote.

(vi) Once the total amount of a Floor broker's discretionary volume has been executed, the d-Quote's discretionary price instructions will become inactive and the remainder of that d-Quote will be treated as an e-Quote.

#### (d) Minimum Trade Size

(i) A Floor broker may designate a minimum trade size ("MTS") that must be met before the d-Quote is executed. If the MTS cannot be met by contra-side interest in Exchange systems, the d-Quote will not participate in an execution. MTS instructions are not active at the open and close.

(ii) A d-Quote with an MTS instruction may compete with other d-Quotes on the same side of the market from the same Floor broker. If the d-Quote with the MTS instruction has a more aggressive range of price discretion than the competing d-Quotes, the d-Quote with the MTS designation will be executed to meet the MTS. If the price will not be



improved by the d-Quote with the MTS instruction and the MTS cannot be met, the d-Quote with the MTS instruction will not participate.

(e) Executions of Discretionary e-Quotes

(i) A d-Quote will use its discretion as described below. In so doing, a d-Quote may improve the execution price of incoming orders.

(A) A d-Quote with discretionary pricing instructions above the best bid if a buy order or below the best offer if a sell order will seek to secure the largest execution for the d-Quote using the least amount of price discretion to exercise at or above the bid if a buy order or at or below the best offer if a sell order.

(B) A d-Quote with discretionary pricing instructions equal to or less than the best bid if a buy order or equal to or greater than the best offer if a sell order will extend to its maximum discretion.

(ii) Discretionary e-Quotes will automatically execute against contra-side interest in Exchange systems if the contra-side interest's price is within the discretionary price range and the interest's size meets any minimum or maximum size requirements or MTS that have been set for the d-Quote.

(iii) Discretionary e-Quotes from different Floor brokers on the same side of the market with the same price instructions trade on parity subject to Rule 72 - Equities.

(iv) Same-side d-Quotes from different Floor brokers compete for an execution, with the most aggressive price range (e.g. three cents vs. two cents) establishing the execution price. If an incoming order remains unfilled at that price, executions within the less aggressive price range may then occur.

(v) Discretionary e-Quotes from Floor brokers on opposite sides of the market will be able to trade with each other. The d-Quote that arrived at the Display Book® system last will use the most discretion necessary to effect a trade, except as provided below.

(A) When a protected bid or offer, as defined in Section 242.600(b)(57) of Regulation NMS ('Reg. NMS'), is published by another market center at a price that is better than the price at which contra-side d-Quotes would trade in accordance with (v) above, the following applies:

(1) the amount of discretion necessary to permit a trade on the Exchange consistent with the Order Protection Rule (Section 242.611 of Reg. NMS) ('OPR') will be used; or

(2) such portion of the appropriate d-Quote as is necessary will be automatically routed in accordance with OPR in order to permit a trade to occur on the Exchange.

(vi) As with all executions on the Exchange, executions involving d-Quotes will comply with OPR.

(vii) Discretionary e-Quotes may provide price improvement to and trade with an incoming contra-side DMM algorithmic trading message to 'hit bid/take offer,' just as they can with any other marketable incoming interest.

(viii) Discretionary e-Quotes may initiate sweeps in accordance with and to the extent provided by Rules 1000 - Equities-1004 - Equities, but only to the extent of their price and volume discretion. Discretionary e-Quotes may participate in sweeps initiated by other orders but, in such cases, their discretionary instructions are not active.

(ix) Discretionary e-Quotes may trade with non-marketable contra-side Reg. NMS-compliant Immediate or Cancel Orders, NYSE Immediate or Cancel Orders and Intermarket Sweep Orders that are within the discretionary range of the d-Quote.

### **.30 Definition of Crowd.**

The rooms on the Exchange Floor that contain active posts/panels where Floor brokers are able to conduct business constitute the Crowd. A Floor broker will be considered to be in the Crowd if he or she is physically present in one of these rooms.

### **.40 Operation of an Exchange Approved Booth Premise**

(1) A member organization will be permitted to operate within its booth premise on the Floor as described in subparagraph (2) below provided that the member organization has obtained prior approval from Exchange regulatory staff to operate its booth premise in said manner.

(2) A member organization approved to operate its booth premise pursuant to this rule is permitted, subject to the provisions of subparagraph (3) below, to conduct the same business-related activities for its customer accounts from its booth premise as it is permitted to conduct from its off-Floor or 'upstairs' location, including initiating orders and routing orders to Exchange systems and other markets.

(3) A member organization approved to operate booth premises pursuant to this rule is prohibited from effecting any transaction from its approved booth premises for its own account, the account of an associated person or an account with respect to which it or an associated person thereof exercises investment discretion on the Exchange, except that such member organization may effect such transactions in the common, preferred, and debt securities of an operating company that is quoted on the OTC Bulletin Board or OTC Markets ("OTC Security") if such security is not related to a security listed or traded on the Exchange or New York Stock Exchange LLC ("NYSE"). For purposes of Rule 70.40, an OTC Security is related to a security listed or traded on the Exchange or NYSE if:

- (a) the OTC Security is issued by an issuer of a security that is listed or traded on the Exchange or NYSE or that underlies an NYSE Amex option, or an affiliate of such issuer;
- (b) the OTC Security is subject to a corporate action that relates to the issuer of a security that is listed or traded on the Exchange or NYSE or that underlies an NYSE Amex option, or an affiliate of such issuer;
- (c) the OTC Security is issued by an issuer of a security that is a component of a narrow-based security index (as defined in Section 3(a)(55) of the Securities Exchange Act of 1934) that is linked to a security that listed or traded on the Exchange or NYSE or that underlies an NYSE Amex option; or
- (d) the OTC Security is issued by a foreign issuer or is a depositary receipt (or the equivalent thereof) for such a security, and a security issued by such foreign issuer or a depositary receipt (or the equivalent thereof) for such a security is listed or traded on the Exchange or NYSE or underlies an NYSE Amex option.

For purposes of Rule 70.40, a corporate action is any action by an issuer of an OTC Security or a security listed or traded on the Exchange or NYSE that causes a relationship between the price of the OTC Security and the price of the security that is listed or traded on the Exchange or NYSE or that underlies an NYSE Amex option, such as the announcement of a merger, acquisition, joint venture, spinoff, dissolution, bankruptcy filing or other similar type of event involving the issuers.

(4) A member organization approved to operate its booth premise pursuant to this rule is subject to the same regulatory requirements governing the conduct of the member organization's off-Floor or 'upstairs' office, including but not limited to relevant employee registration and qualification requirements pursuant to Rule 345 - Equities and supervisory responsibilities pursuant to Rule 3110 - Equities.

(5) Orders originated in or routed through facilities located at such approved booth premises must comply with the relevant order entry requirements of Exchange Rules including Rule 123 - Equities and the Rule 7400 Series - Equities.

(6) A member organization approved to operate its booth premise pursuant to this rule must adopt and implement comprehensive written procedures and guidelines governing the conduct and supervision of business handled in such booth and staff working in such booth. Further, the member organization must establish a process for regular review of such written procedures and guidelines and compliance therewith. With respect to trading in an OTC Security, such written procedures must require the member organization to exercise due diligence before commencing trading from the booth premises pursuant to this Rule to ensure that such trading is in compliance with the requirements of this Rule and that the member organization has procedures to monitor its trading activity in order to remain in compliance. A member organization must have supervisory systems in place that produce records sufficient to reconstruct, in a time-sequenced manner, all orders

with respect to which the member organization is trading from the booth premises under this Rule. The member organization must be able to demonstrate which OTC Security transactions were effected from the booth premises (as compared to off-Floor trading, if applicable). If the member organization cannot demonstrate which trading is from the booth premises, the Exchange shall presume that all such trading was effected from the booth premises.

(7) The written procedures and guidelines, and any changes thereto, referred to in (6) above must be approved by Exchange regulatory staff before implementation.

### **Rule 71 - Equities. Precedence of Highest Bid and Lowest Offer**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) All bids made and accepted, and all offers made and accepted, in accordance with Exchange Rules shall be binding.

(b) Any bid that is made at the same or higher price of the prevailing offer shall result in a transaction at the offer price in an amount equal to the lesser of the bid or offer. The same principle shall apply when an offer is made at the same or lower price as the bid.

### **Rule 72 - Equities. Priority of Bids and Offers and Allocation of Executions**

*This Rule is not applicable to trading on the Pillar trading platform.*

#### **Priority of First Bid or Offer**

(a)(i) As used in this rule, the term "displayable" shall mean that portion of interest that could be published as, or as part of, the Exchange BBO, including pegging interest. Displayable odd-lot orders will be published as part of the Exchange BBO if, when aggregated with other interest available for execution at that price point, the sum of the odd-lot order and other interest available at that price point would be equal to or greater than a round lot. The term "displayed interest" includes that part of an order that is published as, or as part of, the Exchange BBO, which may include one or more odd-lot orders.

(ii) When a bid or offer, including pegging interest, is established as the only displayable bid or offer made at a particular price and such bid or offer is the only displayable interest when such price is or becomes the Exchange BBO (the "setting interest"), such setting interest shall be entitled to priority for allocation of executions at that price as described in this rule, subject to the provisions below.

(A) Odd-lot orders, including aggregated odd-lot orders that are displayable, are not eligible to be setting interest.

- (B) If at the time displayable interest of a round lot or greater becomes the Exchange BBO, there is other displayable interest of a round lot or greater, including aggregated odd-lot orders that are equal to or greater than a round lot, at the price that becomes the Exchange BBO, no interest is considered to be a setting interest, and, therefore, there is no priority established
- (C) If at the time displayable interest of a round lot or greater becomes the Exchange BBO, there is other displayable interest, the sum of which is less than a round lot, at the price that becomes the Exchange BBO, the displayable interest of a round lot or greater will be considered the only displayable bid or offer at that price point and is therefore established as the setting interest entitled to priority for allocation of executions at that price as described in this rule.
- (D) If executions decrement the setting interest to an odd-lot size, a round lot or PRL order that joins such remaining odd-lot size order is not eligible to be the setting interest.
- (E) If as a result of cancellation, interest is or becomes the single displayable interest of a round lot or greater at the Exchange BBO, it becomes the setting interest.
- (F) Only the portion of setting interest that is or has been published in the Exchange BBO shall be entitled to priority allocation of an execution. That portion of setting interest that is designated as reserve interest and therefore not displayed at the Exchange BBO (or not displayable if it becomes the Exchange BBO) is not eligible for priority allocation of an execution irrespective of the price of such reserve interest or the time it is accepted into Exchange systems. However, if, following an execution of part or all of setting interest, such setting interest is replenished from any reserve interest, the replenished volume of such setting interest shall be entitled to priority if the setting interest is still the only interest at the Exchange BBO.
- (G) If interest becomes the Exchange BBO, it will be considered the setting interest even if pegging interest, Limit Orders designated ALO, or sell short orders during a Short Sale Period under Rule 440B(e) - Equities are re-priced and displayed at the same price as such interest, and it will retain its priority even if subsequently joined at that price by re-priced interest.

#### Retention of Priority

- (b)(i) Once priority is established by setting interest, such setting interest retains that priority for any execution at that price when that price is at the Exchange BBO. In the event that executions decrement the setting interest to an odd-lot size, such remaining portion of the setting interest retains its priority for any execution at that price when that price is the Exchange BBO.

- (ii) For any execution of setting interest that occurs when the price of the setting interest is not the Exchange BBO, the setting interest does not have priority and is executed on parity.
- (iii) Priority of setting interest shall not be retained after the close of trading on the Exchange or following the resumption of trading in a security after a trading halt in such security has been invoked pursuant to Rule 123D - Equities or following the resumption of trading after a trading halt invoked pursuant to the provisions of Rule 80B - Equities. Priority of the setting interest is not retained on any portion of the priority interest that is routed to an away market and is returned unexecuted unless such priority interest is greater than a round lot and the only other interest at the price point is odd-lot orders, the sum of which is less than a round lot.

#### Allocation of Executions

- (c)(i) An automatically executing order will trade first with any unexecuted Market Orders, which will be allocated on time priority, and then with displayable bids (offers) and if there is insufficient displayable volume to fill the order, will trade next with non-displayable interest. All non-displayable interest will trade on parity.
- (ii) For the purpose of share allocation in an execution, each single Floor broker, the DMM and orders collectively represented in Exchange systems (referred to herein as "Book Participant") shall constitute individual participants. The orders represented in the Book Participant in aggregate shall constitute a single participant and will be allocated shares among such orders by means of time priority with respect to entry.
- (iii) In any execution at the Exchange BBO, after any unexecuted Market Orders have been satisfied, a participant who has established priority as provided in (a) of this rule (i.e., is setting interest) shall receive fifteen percent (15%) of the volume of such executed amount or a minimum of one round lot, whichever is greater, until such setting interest has received a complete execution of its eligible priority interest. Setting interest that is decremented to an odd-lot size shall receive fifteen percent (15%) of the volume of such incoming interest rounded to the size of the setting interest, or the size of the incoming interest, whichever is less.
- (iv) Following the allocation of an execution to setting interest as provided in (c)(i) above, the remainder of the executed volume shall be allocated to each participant on parity. The participant with the priority interest (the setting interest) shall be included in such parity allocation.

Example for (c)(ii) and (iii):

Setting interest has 1,000 shares as the best bid of 20.05. There is an additional 600 shares of an e-Quote without priority at the same bid price. A market order to sell 500 shares arrives and is executed. The setting interest first receives 100 shares as

its priority allocation (15% of 500 equals 75 shares, rounded up to 100 shares). The remainder of the execution is split on a parity basis between the two participants, with each receiving 200 shares. In total, the setting interest received 300 shares of the 500 share execution and the e-Quote received 200 shares.

- (v) If there is no setting interest for an execution at the Exchange BBO, allocation of the executed volume shall be on parity by participant except as set forth in subparagraph (c)(xi) of this rule.
- (vi) When an execution occurs at the Exchange BBO, interest that is displayed in the Exchange BBO shall be allocated before any interest that is not displayed. For purposes of this rule, "displayed" shall have the meaning as stated in subparagraph (a) above of this rule.
- (vii) In allocating an execution that involves setting interest, whether such execution takes place at the Exchange BBO or otherwise, the volume allocated to the setting interest shall be allocated to the interest in the setting interest that is entitled to priority first.
- (viii) Shares will be allocated in round lots or the size of the order if less than a round lot. In the event the number of shares to be executed at a price point is insufficient to allocate round lots to all the participants eligible to receive an execution at that price point, or the size of the order if less than a round lot, Exchange systems shall create an allocation wheel of the eligible participants at that price point and the available round lot shares will be distributed to the participants in turn. If an odd-lot sized portion of the incoming order remains after allocating all eligible round lots, the remaining shares will be allocated to the next eligible participant in less than a round lot. (See Examples below.)
- (A) On each trading day, the allocation wheel for each security is set to begin with the participant whose interest is entered or retained first on a time basis. Thereafter, participants are added to the wheel as their interest joins existing interest at a particular price point. If a participant cancels his, her or its interest and then rejoins, that participant joins as the last position on the wheel at that time.

### **Parity Example 1**

Assume there is interest of the Book Participant (representing orders entered by two different public customers), three Floor brokers and the DMM are bidding at the same price, with no participant having priority. An order to sell is received by the Exchange. Exchange systems will divide the allocations among the participants as follows:

Public Order #1 100 shares and Public Order #2 100 shares Book Participant

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Floor Broker 1	Participant A
DMM	Participant B
Floor Broker 2	Participant C
Floor Broker 3	Participant D

A market order for 300 shares to sell entered in Exchange systems will allocate 100 shares to the Book Participant (Public Order #1), Participant A and Participant B above. Subsequently, another order to sell 300 shares at the same price is received by Exchange systems. Those shares will be allocated to Participant C, Participant D, and Book Participant (Public Order #2).

(B) The allocation wheel will move to the next participant when an odd-lot allocation completely fills the interest of such participant.

### **Parity Example 2**

Assume there is interest of the Book Participant (representing orders entered by two different public customers), three Floor brokers and the DMM are bidding at the same price, with no participant having priority. An order to sell is received by the Exchange. Exchange systems will divide the allocations among the participants as follows:

Public Order #1 100 shares and Public Order #2 100 shares Book Participant

Floor Broker 1	Participant A 50 shares
DMM	Participant B 50 shares
Floor Broker 2	Participant C 300 shares
Floor Broker 3	Participant D 300 shares

A market order for 200 shares to sell entered in Exchange systems will allocate 100 shares to the Book Participant (Public Order #1), Participant A will receive 50 shares, Participant B above will receive 50 shares. Subsequently, another order to



sell 300 shares at the same price is received by Exchange systems. Those shares will be allocated to Participant C, Participant D, and Book Participant ( Public Order #2).

### Parity Example 3

Assume there is interest of the Book Participant (representing orders entered by two different public customers), three Floor brokers and the DMM are bidding at the same price, with no participant having priority. An order to sell is received by the Exchange. Exchange systems will divide the allocations among the participants as follows:

Public Order #1 100 shares and Public Order #2 100 shares Book Participant

Floor Broker 1	Participant A Participant A 50 shares
DMM	Participant B 75 shares
Floor Broker 2	Participant C 300 shares
Floor Broker 3	Participant D 300 shares

A market order for 200 shares to sell entered in Exchange systems will allocate 100 shares to the Book Participant (Public Order #1), Participant A will receive 50 shares, Participant B above will receive 50 shares. Subsequently, another order to sell 300 shares at the same price is received by Exchange systems. The allocation wheel will start with Participant B. Participant B is allocated 25 shares, Participant C is allocated 100 shares, Participant D is allocated 100 shares, and Book Participant ( Public Order #2) is allocated 75 shares. Exchange systems will retain Book Participant (Public Order #2) as the participant eligible to receive the next allocation at that price point.

(C) The allocation wheel will also move to the next participant where Exchange systems execute remaining displayable odd-lot interest prior to replenishing the displayable quantity of a participant.

### Parity Example 4

Assume the available bid interest on the Exchange consists of a single Book Participant and two Floor brokers listed below in order of their position on the allocation wheel none of the participants have priority.

Public Order #1 100 shares and Public Order #2 100 shares Book Participant

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Floor Broker 1	Participant A - 200 shares displayed and 4800 shares reserve
Floor Broker 2	Participant C - 500 shares displayed
Floor Broker 2	Participant C 500 shares displayed

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An order to sell 350 shares is received by the Exchange. Exchange systems will divide the allocations among the participants as follows:

Participant A - 150 shares

Book Participant - 100 shares

Participant C - 100 shares

Each participant receives a round lot allocation. The Allocation wheel returns to Participant A as the first participant on the wheel and allocates the remaining 50 shares. The allocation wheel remains on Participant A. The remaining interest of the three participants is as follows:

Floor Broker 1 Participant A - 50 shares displayed and 4800 shares reserve Book  
Participant Public Order #1 Participant B 400 shares displayed Floor Broker 2  
Participant C 400 shares displayed

Prior to the system replenishing the displayed quantity of Participant A, an order to sell 100 shares is received by Exchange systems. The system will allocate 50 shares to Participants A and B. The next allocation at the price point will begin with Participant B.

(ix) When an execution occurs outside the Exchange BBO, the interest that is displayable will be allocated before any interest that is non-displayable (i.e. reserve interest). All interest that is displayable will be on parity among individual participants' displayable interest. All interest that is non-displayable will be on parity among individual participants' non-displayable interest.

(x) Incoming orders eligible for execution at price points between the Exchange BBO shall trade with all available interest at the price. All Exchange interest available to participate in the execution (e.g., d-quotes, s-quotes, Reserve Orders, MPL Orders,

and Capital Commitment Schedule interest (see Rule 1000 - Equities)) will trade on parity.

- (xi) DMM interest added intra day to participate in a verbal transaction with a Floor broker or during a slow quote, will be allocated shares only after all other interest eligible for execution at the price point are executed in full. DMM interest added at the time of the slow quote or when verbally trading with a Floor broker not executed during the transaction will be cancelled.

However, s-Quotes, if any, representing DMM interest present at the price point prior to the verbal transaction with a Floor broker or during a slow quote will receive an allocation on parity pursuant to the provisions of subparagraph (c)(v) of this rule above.

- (xii) An order that is modified to reduce the size of the order shall retain the time stamp of original order entry. Any other modification to an order, such as increasing the size or changing the price of the order, shall receive a new time stamp.

### **Priority of Cross Transactions**

(d) When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are 'block' orders and are not for the account of such member or member organization, an account of an associated person, or an account with respect to which the member, member organization or associated person thereof exercises investment discretion, the member may 'cross' those orders at a price at or within the Exchange best bid or offer. The member's bid or offer shall be entitled to priority at such cross price, irrespective of pre-existing displayed bids or offers on the Exchange at that price. The member shall follow the crossing procedures of Rule 76 - Equities, and another member may trade with either the bid or offer side of the cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other displayed market interest on the Exchange at that price before trading with any part of the cross transaction. Following a transaction at the improved price, the member with the agency cross transaction shall follow the crossing procedures of Rule 76 - Equities and complete the balance of the cross. No member may break up the proposed cross transaction, in whole or in part, at the cross price. No DMM may effect a proprietary transaction to provide price improvement to one side or the other of a cross transaction effected pursuant to this paragraph. A transaction effected at the cross price in reliance on this paragraph shall be printed as 'stopped stock'.

When a member effects a transaction under the provisions of this paragraph, the member shall, as soon as practicable after the trade is completed, complete such documentation of the trade as the Exchange may from time to time require.

### **Example 1**

Assume the Exchange's market in XYZ is quoted 20 to 20.01, 40,000 shares by 30,000 shares. A member intending to effect a 25,000 share `agency cross' transaction at a price of 20 must bid 20 for 25,000 shares and offer 25,000 shares at 20.01. The member's bid at 20 has priority, and the proposed cross could not be broken up at that price. The proposed cross could however, be broken up at 20.01, as this would provide a better price to the seller. However, a member intending to trade with the offer side of the cross would first have to take the entire displayed 30,000 share offer at 20.01 before trading with any part of the offer side of the cross.

## **Example 2**

Assume the Exchange's market in XYZ is quoted 20 to 20.35, 20,000 shares by 20,000 shares. A member intending to effect a 25,000 share `agency cross' transaction at a price of 20.05 must follow the crossing procedures of Rule 76 - Equities and bid 20.05 for 25,000 shares and offer 25,000 shares at 20.06. The member's bid at 20.05 has priority, and the proposed cross could not be broken up at this price. The proposed cross could, however, be broken up, in whole or in part, at 20.06, as this would provide a better price to the seller.

### **• • • Supplementary Material:**

**.10 Definition of a Block** - For purposes of this rule, a `block' shall be at least 10,000 shares or a quantity of stock having a market value of \$200,000 or more, whichever is less.

.40 Rule 72 - Equities does not apply to bonds traded through NYSE MKT Bonds (See Rule 86 - Equities ).

## **Rule 73 - Equities. Seller's Option**

*This Rule is not applicable to trading on the Pillar trading platform.*

On offers to buy `seller's option' at the same price, the longest option shall have precedence; on offers to sell `seller's option' at the same price, the shortest option shall have precedence.

## **Rule 74 - Equities. Publicity of Bids and Offers**

*This Rule is not applicable to trading on the Pillar trading platform.*

A claim by a member who states that he had on the Floor a prior or better bid or offer shall not be sustained if the bid or offer was not made with the publicity and frequency necessary to make the existence of such bid or offer generally known at the time of the transaction.

## **Rule 75 - Equities. Disputes as to Bids and Offers**

*This Rule is not applicable to trading on the Pillar trading platform.*

Disputes arising on bids or offers, if not settled by agreement between the members interested, shall be settled by a Floor Official. In rendering a decision as to disputes regarding the amount traded, the Floor Official shall give primary weight to statements by any member who was not a party to the transaction and shall also take into account the size of orders held by parties to the disputed transaction, and such other facts as he deems relevant. If both parties to a dispute agree, and the dispute involves either a monetary difference of \$10,000 or more or a questioned trade, the matter may be referred for resolution to a panel of three Floor Governors, Senior Floor Officials, or Executive Floor Officials, or any combination thereof, whose decision shall be binding on the parties. As an alternative to a panel of three Floor Governors, Senior Floor Officials, or Executive Floor Officials, or any combination thereof, members may also proceed to resolve a dispute through long-standing arbitration procedures established under the Exchange's Rules.

• • • ***Supplementary Material:***

**.10 Discrepancies as to amount.**—When there is no dispute regarding a transaction except as to the amount traded and neither party can produce a witness, the transaction must be considered to have been for the smaller amount; provided, however, that if the member claiming the smaller amount held, at the time of the transaction in dispute, an order or orders totalling the larger amount, the Floor Official, in reaching his decision, shall take into consideration that fact and all other facts which he deems relevant.

**Rule 76 - Equities. `Crossing' Orders**

*This Rule is not applicable to trading on the Pillar trading platform.*

When a member has an order to buy and an order to sell the same security, he or she shall offer such security at a price which is higher than his or her bid by the minimum variation permitted in such security before making a transaction with himself or herself. All such bids and offers shall be clearly announced to the trading Crowd before the member may proceed with the proposed `cross' transaction.

The provisions of this rule apply only to manual transactions.

• • • ***Supplementary Material:***

**.10 Cross Function —**

- (a) Floor brokers seeking to execute buy and sell orders pursuant to Rule 76 may enter such orders from their wireless hand-held devices ("HHD") into an Exchange-provided quote minder, which will monitor protected bids and offers to determine when the limit price assigned to the proposed crossed orders is such that the orders may be executed consistent with Rule 611 of Regulation NMS. When the trade can

be effected at or between the protected bid and offer, the quote minder will: (i) deliver an alert message to the HHD indicating that the order may be crossed; (ii) capture a time-stamped quote at the time that the alert was sent, (iii) commence a 20-second timer from the moment a cross trade may be executed at or between the protected and offer; and (iv) enable a "print" key function in the HHD permitting the Floor broker to cross the orders and print the trade to the Tape within that 20-second time period. Upon receipt of an alert, Floor brokers using the cross function must first announce the bid and offer to the trading Crowd in compliance with this Rule and then cross the stock using the "print" key function in the HHD before the 20-second timer expires. Quote minder will not monitor protected bids and offers when the PBBO is crossed.

- (b) To be eligible for the Cross Function, the proposed cross transaction must be for at least 10,000 shares or a quantity of stock having a market value of \$200,000 or more and may not be for the account of the member or member organization, an account of an associated person, or an account with respect to which the member, member organization or associated person thereof exercises investment discretion.

#### **Rule 77 - Equities. Prohibited Dealings and Activities**

*This Rule is not applicable to trading on the Pillar trading platform.*

No member shall offer publicly on the Floor:

- (1) To buy or sell securities 'on stop' above or below the market;
- (2) to buy or sell securities 'at the close';
- (3) to buy or sell dividends;
- (4) to bet upon the course of the market; or
- (5) to buy or sell privileges to receive or deliver securities.

#### **Rule 78 - Equities. Sell and Buy Orders Coupled at Same Price**

*This Rule is not applicable to trading on the Pillar trading platform.*

An offer to sell coupled with an offer to buy back at the same or at an advanced price, or the reverse, is a prearranged trade and is prohibited. This rule applies both to transactions in the unit of trading and in lesser and greater amounts.

#### **Rule 79A - Equities. Miscellaneous Requirements on Stock Market Procedures**

*This Rule is not applicable to trading on the Pillar trading platform.*

• • • *Supplementary Material:*

**.10 Request to make better bid or offer.**—When any Floor broker does not bid or offer at the limit of an order which is better than the currently quoted price in the security and is requested by his principal to bid or offer at such limit, he shall do so.

.15 With respect to limit orders received by Exchange systems, the Exchange shall publish immediately (i.e., as soon as practicable, which under normal market conditions means no later than 30 seconds from time of receipt) a bid or offer that reflects:

- (i) the price and full size of each customer limit order that is at a price that would improve the Exchange BBO in such security; and
- (ii) the full size of each limit order that
  - (A) is priced equal to the Exchange BBO for such security;
  - (B) is priced equal to the national best bid or offer; and
  - (C) represents more than a de minimis change (i.e., more than 10 percent) in relation to the size associated with the Exchange's bid or offer.

Limit orders received by the Exchange that improve the Exchange then-current bid or offer or change the size of the Exchange bid or offer, other than de minimis increases or decreases, shall be autoquoted in accordance with Rule 60(d) - Equities. The opening trade or opening quotation in each security activates the autoquote facility and thereafter, each DMM shall keep active at all times the autoquote facility provided by the Exchange. Autoquoting will also be automatically suspended when a block-size transaction as defined in Rule 127 - Equities that involves orders on the Display Book® is being reported manually.

The requirements with respect to display of customer limit orders shall not apply to any customer limit order that is:

- (1) executed upon receipt of the order;
- (2) placed by a customer who expressly requests, either at the time the order is placed or prior thereto pursuant to an individually negotiated agreement with respect to such customer's orders, that the order not be displayed;
- (3) an odd-lot order;

(4) delivered immediately upon receipt to an exchange or association-sponsored system or an electronic communications network that complies with the requirements of Rule 605 under Reg. NMS with respect to that order;

(5) delivered immediately upon receipt to another exchange member or over-the-counter market maker that complies with the requirements of Rule 604 under Reg. NMS under the Securities Exchange Act with respect to that order;

(6) a limit order to buy at a price significantly above the current offer or a limit order to sell at a price significantly below the current bid that is handled in compliance with Exchange procedures regarding such orders ('too marketable limit orders'), or

(7) an order that is handled in compliance with Exchange procedures regarding block crosses at significant premiums or discounts from the last sale.

### **Rule 80B - Equities. Trading Halts Due to Extraordinary Market Volatility**

*This Rule is not applicable to trading on the Pillar trading platform.*

This Rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 80B - Equities shall be in effect.

**(a)** The Exchange shall halt trading in all stocks and shall not reopen for the time periods specified in this Rule if there is a Level 1, 2, or 3 Market Decline.

(i) For purposes of this Rule, a Market Decline means a decline in price of the S&P 500® Index between 9:30 a.m. and 4:00 p.m. on a trading day as compared to the closing price of the S&P 500® Index for the immediately preceding trading day. The Level 1, Level 2, and Level 3 Market Declines that will be applicable for the trading day will be publicly disseminated before 9:30 a.m.

(ii) A "Level 1 Market Decline" means a Market Decline of 7%.

(iii) A "Level 2 Market Decline" means a Market Decline of 13%.

(iv) A "Level 3 Market Decline" means a Market Decline of 20%.

**(b)** Halts in Trading.

(i) If a Level 1 Market Decline or a Level 2 Market Decline occurs after 9:30 a.m. and up to and including 3:25 p.m., or in the case of an early scheduled close, 12:25 p.m., the Exchange shall halt trading in all stocks for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a



Level 1 Market Decline or a Level 2 Market Decline occurs after 3:25 p.m., or in the case of an early scheduled close 12:25 p.m.

- (ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all stocks until the primary listing market opens the next trading day.

**(c) Re-opening of Trading**

- (i) The re-opening of trading following a Level 1 or 2 trading halt shall follow the procedures set forth in Rule 123D - Equities.
- (ii) ) If the primary listing market halts trading in all stocks, the Exchange will halt trading in all stocks until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen a security within 15 minutes following the end of the 15-minute halt period, the Exchange may resume trading in that security.

**(d)** Nothing in this Rule 80B - Equities should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

**Rule 80C - Equities. Limit Up—Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility**

*This Rule is not applicable to trading on the Pillar trading platform.*

The provisions of this Rule shall be in effect during a pilot to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility.

**(a) Limit Up-Limit Down Mechanism.**

**(1) Definitions**

- (A) "Plan" means the Plan to Address Extraordinary Market Volatility Submitted to the Securities and Exchange Commission Pursuant to Rule 608 of Regulation NMS under the Securities Exchange Act of 1934, Exhibit A to Securities Exchange Act Release No. 67091 (May 31, 2012), 77 FR 33498 (June 6, 2012), as it may be amended from time to time.
- (B) All capitalized terms not otherwise defined in this Rule shall have the meanings set forth in the Plan or Exchange rules, as applicable.

- (2) Exchange Participation in the Plan. The Exchange is a Participant in, and subject to the applicable requirements of, the Plan, which establishes procedures to address extraordinary volatility in NMS Stocks.
- (3) Member Organization Compliance. Member organizations shall comply with the applicable provisions of the Plan.
- (4) Exchange Compliance with the Plan. Exchange systems shall not display or execute buy (sell) interest above (below) the Upper (Lower) Price Bands, unless such interest is specifically exempted under the Plan.
- (5) Repricing and Cancellation of Interest. Exchange systems shall reprice and/or cancel buy (sell) interest that is priced or could be executed above (below) the Upper (Lower) Price Band. Any interest that is repriced pursuant to this Rule shall retain its time stamp of original order entry.
  - (A) Market Orders. If a Market Order cannot be fully executed at or within the Price Bands, Exchange systems shall cancel the unexecuted portion of the buy (sell) Market Order and will notify the member organization of the reason for such cancellation.
  - (B) Limit-priced Interest. Both displayable and non-displayable incoming limit-priced interest to buy (sell) that is priced above (below) the Upper (Lower) Price Band shall be repriced to the Upper (Lower) Price Band. Exchange systems shall also reprice resting limit-priced interest to buy (sell) to the Upper (Lower) Price Band if Price Bands move and the price of resting limit-priced interest to buy (sell) moves above (below) the Upper (Lower) Price Band. If the Price Bands move and the original limit price of repriced interest is at or within the Price Bands, Exchange systems shall reprice such interest to its original limit price.
  - (C) IOC Orders. If an IOC order cannot be fully executed at or within the Price Bands, Exchange systems shall cancel any unexecuted portion of the IOC Order.
  - (D) DMM Interest. Exchange systems shall cancel DMM Interest to buy (sell) that is entered manually or via DMM-specific order entry methodology if such interest is priced above (below) the Upper (Lower) Price Band. DMM Interest to buy (sell) that is entered via the same order entry methodology as off-Floor interest shall be repriced pursuant to paragraph (a)(5)(B) of this Rule.
  - (E) Reserved.
  - (F) Sell Short Orders. During a Short Sale Price Test, as set forth in Rule 440B(b), short sale orders priced below the Lower Price Band shall be repriced

to the higher of the Lower Price Band or the Permitted Price, as defined in Rule 440B(e).

- (G) Floor Broker Cross Function. Exchange systems shall not execute orders crossed pursuant to the process provided for in Supplementary Material .10 to Rule 76, if the price of the proposed cross transaction is outside of the Price Bands.
- (6) Routing to Away Markets. Exchange systems shall not route buy (sell) interest to an away market displaying a sell (buy) quote that is above (below) the Upper (Lower) Price Band.
- (7) Trading Pause during a Straddle State. The Exchange may declare a Trading Pause for a NMS Stock listed on the Exchange when (i) the National Best Bid (Offer) is below (above) the Lower (Upper) Price Band and the NMS Stock is not in a Limit State; and (ii) trading in that NMS Stock deviates from normal trading characteristics.
- (8) After the Exchange opens or reopens an Exchange-listed security but before receiving Price Bands from the SIP under the Regulation NMS Plan to Address Extraordinary Market Volatility, the Exchange will calculate Price Bands based on the first Reference Price provided to the SIP and if such Price Bands are not in the MPV for the security, such Price Bands will be rounded to the nearest price at the applicable MPV.
- (b) Trading Pause. During Phase 1 of the Plan, a Trading Pause in Tier 1 NMS Stocks subject to the requirements of the Plan, shall be subject to Plan requirements and paragraph (b)(2) of this Rule; a Trading Pause in Tier 1 NMS Stocks not yet subject to the requirements of the Plan shall be subject to the requirements in paragraphs (b)(1) - (5) of this Rule; and a Trading Pause in Tier 2 NMS Stocks shall be subject to the requirements set forth in paragraphs (b)(1)(B) - (5) of this Rule. Once the Plan has been fully implemented and all NMS Stocks are subject to the Plan, a Trading Pause under the Plan shall be subject to paragraph (b)(2) of this Rule only.
- (1) Between 9:45 a.m. and 3:35 p.m., or in the case of an early scheduled close, 25 minutes before the close of trading, if the price of a security listed on the Exchange, other than rights and warrants, moves by a percentage specified below within a five-minute period ("Threshold Move"), as calculated pursuant to paragraph (b)(3) below, trading in that security shall immediately pause on the Exchange for a period of five minutes (a "Trading Pause").
- (A) The Threshold Move shall be 10% or more with respect to securities included in the S&P 500® Index, Russell 1000® Index, and the Invesco PowerShares QQQ exchange traded fund (symbol: QQQQ);

(B) The Threshold Move shall be 30% or more with respect to all Tier 2 NMS Stocks with a price equal to or greater than \$1; and

(C) The Threshold Move shall be 50% or more with respect to all Tier 2 NMS Stocks with a price less than \$1.

The determination that the price of a stock is equal to or greater than \$1 under paragraph (b)(i)(B) above or less than \$1 under paragraph (b)(i)(C) above shall be based on the closing price on the previous trading day, or, if no closing price exists, the last sale reported to the Consolidated Tape on the previous trading day.

(2) Re-opening of Trading following a Trading Pause. At the end of the Trading Pause, the Exchange shall re-open the security in a manner similar to the procedures set forth in Rules 15- Equities and 123D - Equities, subject to the following:

(A) Reserved

(B) After a Trading Pause has commenced, the Exchange will publish Order Imbalance Information, as defined in Rule 15(g) - Equities, approximately every 5 seconds until the re-opening;

(C) In the event of a significant imbalance at the end of a Trading Pause, the Exchange may delay the re-opening of a security;

(D) The Exchange will issue a notification if it cannot resume trading for a reason other than a significant imbalance; and

(E) Any interest repriced pursuant to paragraph (a) of this Rule shall return to its original order instructions for purposes of the re-opening transaction following a Trading Pause.

(3) Calculation of Threshold Move. Every second the Exchange shall calculate the Threshold Move by comparing each last consolidated sale price of a security ("Trigger Trade") during the preceding second to a reference price (the "Calculation Time"). The reference price shall be any transaction in that security printed to the Consolidated Tape during the five-minute period before the Calculation Time, except for Trigger Trades in the first five minutes following 9:45 a.m., for which reference prices will begin at 9:45 a.m. Only regular way, in-sequence transactions qualify as either a Trigger Trade or a reference price. The Exchange can exclude a transaction price from use as a reference price or Trigger Trade if it concludes that the transaction price resulted from an erroneous execution.

(4) Notification of Trading Pauses. If a Trading Pause is triggered under this Rule, the Exchange shall immediately notify the single plan processor responsible for

consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.

- (5) If a primary listing market issues an individual stock trading pause, the Exchange will pause trading in that security until trading has resumed on the primary listing market or notice has been received from the primary listing market that trading may resume. If the primary listing market does not reopen the security within 10 minutes of notification of a Trading Pause, the Exchange may resume trading the security.

• • • ***Supplementary Material:***

.10 Reserved.

**Rule 86 - Equities. NYSE MKT Bonds**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Unless otherwise specified, all orders in bonds shall be received, processed, executed and reported by means of the Exchange's electronic system designated for such purpose. The Exchange system designated for this purpose shall be NYSE MKT Bonds ("NYSE MKT Bonds").

(b) Applicability and Definitions.

(1) Applicability. The provisions in this Rule shall apply to (i) all transactions effected through NYSE MKT Bonds; (ii) all bids and offers made through NYSE MKT Bonds; (iii) the handling of orders and the conduct of accounts and other matters relating to bidding, offering and trading through NYSE MKT Bonds; and (iv) any security that is traded on NYSE MKT Bonds, which security, for purposes of this rule, shall be referred to as a "bond." If another Equities Rule relating to bonds conflicts with the provisions of this rule, the provisions of this Rule 86 - Equities will control.

(2) Definitions. As used in this rule and other rules in their application to NYSE MKT Bonds, the following terms shall have the meanings specified below:

(A) "NYSE MKT Bonds" shall refer to the Exchange's electronic system for receiving, processing, executing and reporting bids, offers and executions in bonds.

(B) "NYSE MKT Bonds Limit Order" means an order to buy or sell a stated amount of bonds at a specified price or at a better price.

- (C) "NYSE MKT Bonds Reserve Order" means an NYSE MKT Bonds Limit Order with a portion of the order's size designated for display and a portion of the order's size ("reserve size") that is not to be displayed on NYSE MKT Bonds.
- (D) "NYSE MKT Bonds Good `Til Cancelled Order" (NYSE MKT Bonds GTC Order) is a NYSE MKT Bonds Limit Order or a NYSE MKT Bonds Reserve Order identified as "good `til cancelled" in the manner required by the Exchange, that remains in effect until it is executed or cancelled. Such order will participate in the Core Bond Auction and the Core Bond Trading Session only. Such order will participate in the Core Bond Auction if entered before commencement of the Core Bond Auction at 8:00 a.m. ET, and if not executed in the Core Bond Auction will automatically participate in the Core Bond Trading Session, unless such order is cancelled. If such order is entered after commencement of the Core Bond Auction it will participate in the Core Bond Trading Session, unless such order is cancelled. A designation of this order for any other trading session but the Core Bond Trading Session will be disregarded, and the order will be treated as an order designated for the Core Bond Trading Session, unless such order is cancelled.
- (E) "NYSE MKT Bonds Day Order" is a NYSE MKT Bonds Limit Order or a NYSE MKT Bonds Reserve Order which, if not executed or cancelled, expires at the end of the trading session(s) for which it was designated, on the day on which it was entered. Bond orders not specifically designated as "day" or "good `til cancelled" will be handled as NYSE MKT Bonds Day Orders. An NYSE MKT Bonds Day Order not designated for a particular trading session will participate in the Core Bond Auction and the Core Bond Trading Session only. Such order will participate in the Core Bond Auction if entered before commencement of the Core Bond Auction at 8:00 a.m. ET, and if not executed in the Core Bond Auction will automatically participate in the Core Bond Trading Session, unless such order is cancelled. If such order is entered after commencement of the Core Bond Auction it will participate in the Core Bond Trading Session, unless such order is cancelled.
- (F) "Imbalance" with respect to a Bond Auction in a particular bond means the number of buy and/or sell orders that cannot be matched with other orders at the Indicative Match Price at any given time.
- (G) "Indicative Match Price" ("IMP") with respect to a Bond Auction in a particular bond shall mean a single price at which the maximum number of bonds is executable, and may be determined in the following ways: 1) if there are two or more prices at which the maximum number of bonds is executable, the price that is closest to the closing price in that bond on the previous trading day or if the bond did not trade on the previous trading day, the price that is closest to the closing price on the last day that the bond traded; or 2) if orders to buy and orders to sell are not marketable (i.e., the price of a bond order to buy is not equal to or

greater than the price of a bond order to sell), then the highest priced bid; or 3) if no bids are submitted, the lowest priced offer.

(H) "Clearly Erroneous Execution" refers to an execution involving an obvious error in any term of an order participating in such execution, such as price, unit of trading, or identification of the bond.

(I) Reserved.

(J) "Sponsoring Member Organization" refers to an Exchange Member or Member Organization that enters into a written "sponsorship agreement" with a "Sponsored Participant" to provide the Sponsored Participant with access to NYSE MKT Bonds.

(K) "Sponsored Participant" is a person who has entered into a sponsorship arrangement with a Sponsoring Member Organization to obtain access to NYSE MKT Bonds pursuant to this Rule 86 (o) - Equities (Member Organization and Non-Member Access to NYSE MKT Bonds).

(L) "Authorized Trader" is a person who is authorized to act on behalf of a Sponsoring Member Organization or Sponsored Participant of NYSE MKT Bonds.

(M) "User" means any Member or Member Organization, Sponsored Participant, or Authorized Trader that is authorized to access NYSE MKT Bonds.

(N) "Bond Auction" is a single-priced execution of bonds at the IMP.

(O) "Bond Trading Session" is the time during which bonds will be available for ordinary trading on NYSE MKT Bonds each day the Exchange is open for business, unless otherwise determined by the Exchange. NYSE MKT Bonds has three (3) daily Bond Trading Sessions: "Opening", "Core" and "Late".

(c) The minimum unit of trading in NYSE MKT Bonds shall be at least one bond and the maximum unit of trading shall be one million bonds. This minimum unit of trading applies to both the displayed and undisplayed portion of a NYSE MKT Bonds Reserve Order.

(d) The original principal amount of a bond constituting a unit of trading is generally \$1,000, except that a unit of trading other than \$1,000 may be designated by the Exchange for specific issues of bonds denominated in U.S. dollars or foreign currencies. Bonds priced less than an original principal amount of \$1,000 may trade on NYSE MKT Bonds, provided the User first aggregates such bonds into a unit of \$1,000 before entering the order. Bids or offers for bonds priced in denominations less than \$1,000 shall specify the original principal amount of the bond.

(e) **Price Collar Thresholds.** A price collar threshold is a maximum price beyond which an order will not be accepted. Price collar thresholds will be established from time to time by the Exchange, with notification to NYSE MKT Bonds Users. When one or more marketable orders to sell or one or more marketable orders to buy a particular bond have been entered into NYSE MKT Bonds outside of a price collar threshold, such order will be rejected by the system. The price collar threshold is only active during Bond Trading Sessions where ordinary trading takes place. The price collar threshold will not be active during the queuing of bond orders or during Bond Auctions.

(f) NYSE MKT Bonds will accept bids and offers in bonds priced to two decimal places.

(g) **Securities to be Traded.** Only such securities (including convertible bonds and certain structured products) as the Exchange may specify shall be traded/dealt in through NYSE MKT Bonds. Any security traded/dealt in through NYSE MKT Bonds must be listed, or otherwise admitted to dealing on the Exchange.

(h) **Order Designation.** Orders can only be designated for Bond Trading Sessions. Orders cannot be designated for participation in Bond Auctions. Participation in Bond Auctions is automatic if an order is designated for participation in a particular Bond Trading Session and is entered prior to the commencement of the related Bond Auction as provided by this rule.

(i) **Bond Trading Sessions.** NYSE MKT Bonds has three (3) Bond Trading Sessions. Orders may be entered from 3:30 a.m. ET until 8:00 p.m. ET, and must be designated for participation in one or more of these trading sessions. If an order is not so designated, it will be available for trading in the Core Bond Auction and the Core Bond Trading Session only. Such order will participate in the Core Bond Auction if entered before commencement of the Core Bond Auction at 8:00 a.m. ET, and if not executed in the Core Bond Auction will automatically participate in ordinary trading in the Core Bond Trading Session, unless such order is cancelled. If such order is entered after commencement of the Core Bond Auction it will participate in the Core Bond Trading Session, unless such order is cancelled.

(1) **Opening Bond Trading Session.**

(A) The Opening Bond Trading Session commences with the Opening Bond Auction at 4:00 a.m. Eastern Time ("ET") and concludes at 8:00 a.m. ET with the Core Bond Auction.

(B) **Order Submission:** Orders designated for the Opening Bond Trading Session and entered into NYSE MKT Bonds before 4:00 a.m. ET will first participate in the Opening Bond Auction and if not executed will participate in ordinary trading in the Opening Bond Trading Session, unless such orders are cancelled.



(C) Orders designated only for the Opening Bond Trading Session that do not execute in the Opening Bond Auction or the Opening Bond Trading Session will participate in the Core Bond Auction, unless such orders are cancelled.

(2) Core Bond Trading Session.

(A) The Core Bond Trading Session commences with the Core Bond Auction at 8:00 a.m. ET and concludes at 5:00 p.m. ET.

(B) Order Submission: Orders designated for the Core Bond Trading Session and entered into NYSE MKT Bonds before 8:00 a.m. ET will first participate in the Core Bond Auction and if not executed will participate in ordinary trading in the Core Bond Trading Session, unless such orders are cancelled.

(3) Late Bond Trading Session.

(A) The Late Bond Trading Session commences at 5:00 p.m. ET and concludes at 8:00 p.m. ET.

(B) Order Submission: Orders designated for the Late Bond Trading Session and entered in NYSE MKT Bonds before 4:00 p.m. ET and until 5:00 p.m. ET will participate in ordinary trading in the Late Bond Trading Session, unless such orders are cancelled.

(C) The Late Bond Trading Session does not commence with a Bond Auction.

(j) Display and Execution of Orders in Bond Trading Sessions.

(A) Buy and sell orders in NYSE MKT Bonds shall be displayed, matched and executed in the Bond Trading Sessions in the following sequence:

(i) According to price, with the highest bid price and the lowest offer price receiving highest priority.

(ii) Within each price, according to the time of the order entry in NYSE MKT Bonds.

(B) Undisplayed reserve interest associated with a NYSE MKT Bonds Reserve Order shall yield to displayed interest at the same price.

(C) The terms of an order entered into NYSE MKT Bonds may not be modified after entry. An order may be cancelled at any time provided the order has not been executed except that an order eligible for participation in a Bond Auction may be cancelled only until two (2) minutes prior to such Bond Auction.

(D) Users shall be promptly notified of their orders' executions.

(k) Opportunity for Price Improvement. Bonds trade in price/time priority. An order to sell bonds receives price improvement when it enters NYSE MKT Bonds priced below the then-current best bid and an order to buy bonds receives price improvement when it enters NYSE MKT Bonds priced above the then-current best offer.

(l) Bond Auctions. NYSE MKT Bonds will have two (2) Bond Auctions each day the Exchange is open for business, unless otherwise determined by the Exchange. The Opening Bond Auction occurs at the beginning of the Opening Bond Trading Session, and the Core Bond Auction occurs at the beginning of the Core Bond Trading Session. A Bond Auction will occur when at least one order to sell and one order to buy the particular bond have been entered into NYSE MKT Bonds and such order is marketable (i.e., the price of a bond order to buy is equal to or greater than the price of a bond order to sell). If no marketable orders in a particular bond are entered into NYSE MKT Bonds prior to the commencement of an Auction, such Auction will not occur and any existing orders will be available only for ordinary trading in the designated Bond Trading Session(s). During a Bond Auction orders in the system will be matched and executed at the IMP based on price-time priority.

(1) Opening Bond Auction. The Opening Bond Auction occurs at the beginning of the Opening Bond Trading Session.

(A) Order Submission. Orders designated for the Opening Bond Trading Session and submitted from 3:30 a.m. ET and before commencement of the Opening Bond Auction at 4:00 a.m. ET will participate in the Opening Bond Auction, unless such orders are cancelled.

(B) Publication of IMP. Publication of the IMP for the Opening Bond Auction, and any Imbalance associated therewith, will commence at or after 3:30 a.m. ET, with the entry in NYSE MKT Bonds of the first order in a particular bond designated for the Opening Bond Trading Session, and at various times thereafter until the Opening Bond Auction occurs.

(C) At 4:00 a.m. ET orders that are eligible for participation in the Opening Bond Auction as described in Section (l) (1)(A) above, will be matched and executed in the Opening Bond Auction at the IMP based on price-time priority.

(D) Orders designated for the Opening Bond Trading Session that were not executed in the Opening Bond Auction, will participate in ordinary trading in the Opening Bond Trading Session, unless such orders are cancelled.

(2) Core Bond Auction. The Core Bond Auction occurs at the beginning of the Core Bond Trading Session.

(A) Order Submission. Orders designated for the Core Bond Trading Session and submitted from 3:30 a.m. ET and before commencement of the Core Bond

Auction at 8:00 a.m. ET will participate in the Core Bond Auction, unless such orders are cancelled.

(B) Publication of IMP. Publication of the IMP for the Core Bond Auction, and any Imbalance associated therewith, shall commence at or after 3:30 a.m. ET with the first order in a particular bond designated for the Core Bond Trading Session, and at various times thereafter until the Core Bond Auction occurs.

(C) At 8:00 a.m. ET, orders eligible for participation in the Core Bond Auction as described in Section (l) (2)(A) above, will be matched and executed in the Core Bond Auction at the IMP based on price-time priority.

(D) Orders designated for the Core Bond Trading Session that were not executed in the Core Bond Auction, will participate in ordinary trading in the Core Bond Trading Session, unless such orders are cancelled.

(3) Display and Execution of Orders in Bond Auctions.

(A) Failure to Establish an IMP. A single order in a particular bond can establish an IMP. If no orders are entered into NYSE MKT Bonds in a particular bond prior to the commencement of a Bond Auction, no IMP will be established and a Bond Auction will not occur.

(B) Failure to Establish a Bond Auction: If an IMP is established but no marketable orders (i.e., the price of a bond order to buy is equal to or greater than the price of a bond order to sell) are entered in NYSE MKT Bonds for a particular bond prior to the commencement of an Auction, the Auction will not take place and orders will be available only for ordinary trading in the relevant Bond Trading Session(s), i.e., "Opening," "Core" or "Late," unless such orders are cancelled.

(C) Cancellation for Bond Auctions. Orders that are eligible for the Opening and Core Bond Auctions may be cancelled at any point until two (2) minutes prior to the commencement of the Bond Auction(s).

(m) Clearly Erroneous Executions.

(1) Subject to the approval of the Exchange, a clearly erroneous execution may be removed from NYSE MKT Bonds if all parties to the trade do not object.

(2) Request for Review.

(A) A User that receives an execution on an order for its own or a customer account that is erroneous may request that the Exchange review the execution.

(B) Such request for review must be made via telephone, facsimile or e-mail and shall be submitted within thirty (30) minutes of the execution in question. The

Exchange may consider requests for review that are submitted more than thirty (30) minutes after the execution in question, on a case-by-case basis, in a manner that promotes a fair and orderly market and does not unfairly discriminate against Users of NYSE MKT Bonds.

(C) Upon receipt of a request to review, the Exchange shall notify each counterparty to the execution as soon as practicable. Thereafter, an Officer of the Exchange or a designee ("the Reviewer") shall review the execution under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

(D) Each party to the execution shall provide, within thirty (30) minutes of the request for review, any supporting written information as may be requested by the Exchange to aid in the resolution of the matter.

(E) Determinations of a clearly erroneous execution will be based on any and all relevant factors of an execution on a case by case basis including, but not limited to, the following:

- (1) Execution price(s);
- (2) Volume and volatility of a bond;
- (3) News released for the issuer or the bond and/or the related security;
- (4) Trading halts;
- (5) Corporate action(s);
- (6) General market conditions;
- (7) Rating of the bond;
- (8) Interest and or coupon rate;
- (9) Maturity date;
- (10) Yield curves;
- (11) Prior print, if available within a reasonable time frame;
- (12) Executions inconsistent with the trading pattern of a bond;
- (13) Current day's trading high/low;
- (14) Recent day's and week's trading high/low;

- (15) Executions outside the 52 week high/low;
- (16) Effect of a single large order creating several prints at various prices; and
- (17) Quotes and executions of other market centers;

(3) Review Procedures

- (A) Unless all parties to a disputed execution agree to withdraw the initial request for review, the execution under dispute shall be reviewed and a determination shall be rendered by the Exchange. If the Reviewer determines that the execution is not clearly erroneous, no action shall be taken. If the Reviewer determines that a clearly erroneous execution occurred, the execution shall be declared null and void, or one or more of the terms of the execution will be modified. The parties shall be promptly notified of the determination.
- (B) If a User aggrieved by a determination made under this Rule so requests within the time permitted below, the Clearly Erroneous Execution Panel ("CEE Panel") will review determinations made by the Reviewer under this Rule, including whether a clearly erroneous execution occurred and whether the correct adjustment was made, provided, however, that the CEE Panel will not review determinations made by the Reviewer under subsection (A) of this rule if the Reviewer determines under subsection (A) of this rule that the number of the affected executions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest.
- (C) A request for review by a CEE Panel must be made via facsimile or e-mail within thirty (30) minutes after the party making the appeal is given notification of the Reviewer's determination.
- (D) The CEE Panel shall review the facts in accordance with procedures adopted by the Exchange, and render a determination within the time frame prescribed by the Exchange.
- (E) The CEE Panel may confirm or overturn the Reviewer's determination. All determinations by the CEE Panel shall constitute final action by the Exchange on the matter at issue.

(4) CEE Panel Composition.

- (A) The CEE Panel will be comprised of the Chief Regulatory Officer of the Exchange or a designee and representatives from two (2) Members or Member Organizations that are Users of NYSE MKT Bonds.
- (B) The Exchange shall designate at least ten (10) Members or Member Organizations that are Users of NYSE MKT Bonds to act as representatives to be

called upon to serve on the CEE Panel as needed. In no case shall a CEE Panel include a person related to or affiliated with a party to the execution in question. To the extent reasonably possible, the Exchange shall call upon these designated representatives to participate on CEE Panels on an equally frequent basis.

(5) System Disruption, System Malfunction or Equipment Changeover

- (A) In the event of a system disruption, system malfunction or equipment changeover in the use or operation of any electronic communications and trading facilities of the Exchange affecting NYSE MKT Bonds, an Officer of the Exchange or a designee, may review, without the need for a request for review, such NYSE MKT Bonds executions as he or she deems appropriate, consistent with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. The Reviewer will determine whether one or more clearly erroneous executions occurred and, if so, declare them null and void or modify the terms of such executions.
- (B) Absent extraordinary circumstances, any action pursuant to this subsection (5) shall be taken within thirty (30) minutes of detection of the system disruption, system malfunction, equipment changeover or an erroneous execution resulting from such events.
- (C) If an execution is deemed to be a clearly erroneous execution as a result of a system problem, each party to the execution shall be notified of the determination as soon as practicable and, if aggrieved by such determination may appeal to the CEE Panel in accordance with the provisions of subsections (3)(B)-(E) above.

(n) Halting, Suspending or Closing Trading on NYSE MKT Bonds

(1) Trading on NYSE MKT Bonds may be halted, suspended or closed when:

- (A) In the exercise of its regulatory function, the Exchange determines such action is necessary and appropriate to maintain a fair and orderly market, protect investors, or otherwise is in the public interest due to extraordinary circumstances or unusual market conditions; or
- (B) In the case of a particular bond whenever, for regulatory purposes, trading in the related stock has been halted, suspended or closed on the Exchange or the primary listing exchange, or
- (C) In the case of a particular bond trading on the Exchange pursuant to unlisted trading privileges, whenever, for regulatory purposes, trading in that bond has been halted, suspended or closed on the primary listing exchange, or
- (D) In the case of a particular bond, news reports have a material impact on that bond, its issuer, or related stock of that issuer, or

(E) In the case of a particular bond trading on the Exchange pursuant to unlisted trading privileges, if the authority under which a bond trades on the Exchange or its primary market is revoked (e.g. because it is delisted).

(F) No terms or conditions specified in this rule shall be interpreted to be inconsistent with any other rules of the Exchange

(2) Bond Halt and Bond Halt Auction.

(A) In the event of a trading halt on NYSE MKT Bonds ("Bond Halt") a halt message shall be disseminated by the Exchange at the beginning and end of the halt.

(B) During a Bond Halt, orders may be entered into NYSE MKT Bonds and will queue according to price/time priority.

(C) Upon conclusion of a Bond Halt, trading will commence with a Bond Halt Auction where the orders will match and execute at the IMP that is determined upon conclusion of the Bond Halt. Like the Opening and Core Bond Auctions, the Bond Halt Auction is a single-priced execution of bonds that trade at the IMP.

(D) Publication of IMP. Upon commencement of the Bond Halt, and at various times thereafter, the IMP, and any Imbalance associated therewith, will be disseminated by the Exchange.

(E) Failure to Establish an IMP. A single order in a particular bond can establish an IMP. If no orders are entered into NYSE MKT Bonds in a particular bond prior to the commencement of a Bond Halt Auction, the IMP will not be established and the Bond Halt Auction will not occur.

(F) Failure to Establish a Bond Halt Auction. If an IMP is established for a Bond Halt Auction but no marketable orders (i.e., the price of a bond order to buy is equal to or greater than the price of a bond order to sell) are entered in NYSE MKT Bonds prior to the commencement of the Bond Halt Auction the Auction will not occur and the orders will be available only for ordinary trading in the Bond Trading Session that correlates in time with the conclusion of the Bond Halt, unless such orders are cancelled.

(G) Order Cancellation. Orders that are eligible for execution in a Bond Halt Auction may be cancelled at any time prior to the beginning of the Bond Halt Auction.

(o) Member Organization and Non-Member Access to NYSE MKT Bonds.

(a) General. NYSE MKT Bonds shall be available for entry and execution of orders by Members or Member Organizations and Sponsored Participants with authorized

access. To obtain authorized access to NYSE MKT Bonds, a Sponsored Participant must enter into a written agreement with a Sponsoring Member Organization and the Exchange.

- (b) Sponsored Participants. A Sponsored Participant may obtain authorized access to NYSE MKT Bonds only if such access is authorized in advance by one or more Sponsoring Member Organizations as follows:
  - (1) Sponsored Participants must enter into and maintain sponsorship agreements with one or more Sponsoring Member Organizations establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on NYSE MKT Bonds. Such sponsorship agreement(s) must incorporate the sponsorship provisions set forth in paragraph (2) below.
  - (2) For a Sponsored Participant to obtain and maintain authorized access to NYSE MKT Bonds, a Sponsored Participant and its Sponsoring Member Organization must agree in writing to the following sponsorship provisions:
    - (A) Sponsored Participant and its Sponsoring Member Organization must have entered into and maintained a written agreement with the Exchange. The Sponsoring Member Organization must designate the Sponsored Participant by name in its written agreement as such.
    - (B) Sponsoring Member Organization acknowledges and agrees that:
      - (i) All orders entered by the Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member Organization and
      - (ii) Sponsoring Member Organization is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.
    - (C) Sponsoring Member Organization shall comply with the rules of the Exchange, the rules and procedures with regard to NYSE MKT Bonds and Sponsored Participant shall comply with the rules of the Exchange and the rules and procedures with regard to NYSE MKT Bonds, as if Sponsored Participant were a Sponsoring Member Organization.
    - (D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member Organization a list of Authorized Traders who may obtain access to the NYSE MKT Bonds on behalf of the Sponsored Participant.



- (E) Sponsored Participant shall familiarize its Authorized Traders with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to NYSE MKT Bonds.
  - (F) Sponsored Participant may not permit anyone other than Authorized Traders to use or obtain access to NYSE MKT Bonds.
  - (G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to NYSE MKT Bonds, including unauthorized entry of information into NYSE MKT Bonds, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of Authorized Traders, and for the trading and other consequences thereof.
  - (H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents and customers' use and access to NYSE MKT Bonds for compliance with the terms of this agreement.
  - (I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member Organization, NYSE MKT Bonds or any other third parties that arise from the Sponsored Participants access to and use of NYSE MKT Bonds. Such amounts include, but are not limited to applicable exchange and regulatory fees.
- (3) The Sponsoring Member Organization must provide the Exchange with a notice of consent acknowledging its responsibility for the orders, executions and actions of its Sponsored Participant at issue.
- (4) Authorized Traders
- (A) Sponsoring Member Organization shall maintain a list of Authorized Traders who may obtain access to NYSE MKT Bonds on behalf of the Sponsoring Member Organization or the Sponsoring Member Organization's Sponsored Participants. The Sponsoring Member Organization shall update the list of Authorized Traders as necessary. Sponsoring Member Organizations must provide the list of Authorized Traders to the Exchange upon request.
  - (B) A Sponsoring Member Organization must have reasonable procedures to ensure that all Authorized Traders comply with the trading rules and procedures related to NYSE MKT Bonds and all other rules of the Exchange.
  - (C) A Sponsoring Member Organization must suspend or withdraw a person's status as an Authorized Traders if the Exchange has determined that the person

has caused the Sponsoring Member Organization to fail to comply with the rules of the Exchange and the Exchange has directed the Sponsoring Member Organization to suspend or withdraw the person's status as an Authorized Trader.

(D) A Sponsoring Member Organization must have reasonable procedures to ensure that the Authorized Trader maintain the physical security of the equipment for accessing the facilities of NYSE MKT Bonds to prevent the improper use or access to the system, including unauthorized entry of information into the system.

(p) Reports and Recordkeeping.

(1) NYSE MKT Bonds Trading Reports and Records. Users of NYSE MKT Bonds must comply with all relevant rules of the Exchange and the Securities and Exchange Commission in relation to reports and records of transactions on NYSE MKT Bonds including but not limited to Rules 3110 - Equities and 4522 - Equities, and Rules 17a-3 and 17a-4 under the Securities Exchange Act of 1934.

## **Members Dealing for Their Own Accounts (Rules 90 - Equities—98A - Equities)**

### **Rule 90 - Equities. Dealings by Members on the Exchange**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) No member or member organization shall effect any transaction in any security on the Exchange for his or its account, the account of an associated person, or an account with respect to which the member, member organization or an associated person thereof exercises investment discretion. For the purposes of this Rule, the term 'associated person' has the meaning set forth in Section 3(a)(21) of the Securities Exchange Act of 1934 (the Act).

(b) The provisions of paragraph (a) of this Rule shall not apply to transactions effected pursuant to the exemptions contained in Section 11(a)(1)(A) through (H) of the Act, or a rule adopted thereunder.

(c) No bid or offer made by a member on an order for the account of a member or member organization subject to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder shall be entitled to priority over, parity with or precedence based on size over any order which is for the account of a person who is not a member, member organization or an associated person thereof.

(d) Immediately before executing an order pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder, a member (other than the DMM in such security) shall clearly announce or otherwise indicate to the DMM and to other members then present in

the trading crowd in such security that he is representing an order to be executed pursuant to these provisions.

### **Rule 91 - Equities. Taking or Supplying Securities Named in Order**

*This Rule is not applicable to trading on the Pillar trading platform.*

No member, whether acting as a DMM or otherwise, who has accepted for execution, personally or through his or her member organization, an order for the purchase of securities shall fill such order by selling such securities for any account in which he, his member organization, or any member, principal executive approved person or officer of such member organization is directly or indirectly interested when the member knows or should have known that the sale is for such an account or having so accepted an order for the sale of securities shall fill such order by buying such securities for such an account, except as follows:

#### **Missing the market**

(a) A member who neglects to execute an order may be compelled to take or supply for his own account or that of his member organization the securities named in the order;

#### **`Crossing' for own account**

(b) A member may take the securities named in the order provided (1) he shall have offered the same in the open market at a price which is higher than his bid by the minimum variation permitted in such securities, and (2) the price is justified by the condition of the market, and (3) the member who gave the order shall directly, or through a broker authorized to act for him or her, after prompt notification, accept the trade;

(c) A member may supply the securities named in the order provided (1) he shall have bid for the same in the open market at a price which is lower than his offer by the minimum variation permitted in such securities, and (2) the price is justified by the condition of the market, and (3) the member who gave the order shall directly or through a broker authorized to act for him or her, after prompt notification, accept the trade;

#### **`On order'**

(d) A member acting as a broker is permitted to report to his or her principal a transaction as made with himself or herself when he or she has orders from two principals to buy and to sell the same security and not to give up, such orders being executed in accordance with Rule 76 - Equities, in which case he must add to his name on the report the words 'on order.'

• • • **Supplementary Material:**

**.10 Confirmation of transactions.**—When a member or member organization is notified to send a member to a DMM unit's post for the purpose of confirming a transaction with another member who has elected to take or supply for his own account the securities named in an order entrusted to him or her, the member or member organization so notified or a member representing the notified party must respond as soon as practicable under the prevailing circumstances following notification to the member or member organization of the report of execution of the transaction. The transaction must then be either confirmed or rejected with a member and not with a clerk. Transactions which are not then confirmed or rejected in accordance with the procedures above are deemed to have been accepted. If the DMM took or supplied the securities, the member so notified must initial the memorandum record of the DMM which shows the details of the trade and return it to the DMM. The DMM must keep such memoranda records for a period of three years.

Any disagreement as to whether a member or member organization has taken timely action pursuant to this paragraph shall be resolved in accordance with the principles of Rule 75 - Equities.

**.30 Orders Stored in Exchange Systems.**—In the case where a DMM takes or supplies, for an account in which the DMM has an interest, the securities named in an order stored in Exchange systems, the provisions above regarding confirmation of the transaction shall not apply.

**.40 Electronic Order Routing and Reporting.**—In the case where a DMM takes or supplies, for an account in which the DMM has an interest, the securities named in an order which is received by any Exchange electronic order routing system, paragraphs (b)(3) and (c)(3) and paragraph .10 above shall not apply. A member representing the member organization which transmitted the order via the Exchange's order routing systems, may reject any such trade by notifying the DMM in writing promptly after the member organization has received a report on the transaction. Any transaction not rejected in this manner shall be deemed accepted.

**.50 Rejection of DMM's principal transactions.**—If there is a continued pattern of rejections of a DMM's principal transactions, a Floor Official may be called upon and require the broker to review his or her actions. It should be noted, however, that if a customer gives instructions to his or her broker to reject trades with the DMM's name on the other side, this would be a conditional order and should not be entrusted to the DMM for execution.

The foregoing does not compromise the unconditional right of a broker to reject any trade where the DMM trades as principal. In addition, no disciplinary process would be triggered against the broker for exercising his or her right to reject the trade.

**[Rule 92 - Equities. Reserved**

Reserved.]

### **Rule 93 - Equities. Trading for Joint Account**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) No member who is approved by the Exchange to initiate transactions on the Exchange Floor or his member organization or any other member or principal executive therein, shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling any security on the Exchange, unless such joint account is reported to and not disapproved by the Exchange.

The report should contain the following information for each account:

- (1) Name of the account, with names of all participants and their respective interests in profits and losses;
- (2) a statement regarding the purpose of the account;
- (3) name of the member organization carrying and clearing the account;
- (4) a copy of any written agreement or instrument relating to the account.

Any changes which take place in a joint account in respect of the information filed should be reported at once to the Exchange.

(b) No member while on the Floor shall, without the prior approval of a Floor Official, initiate the purchase or sale on the Exchange of stock for any account in which he, his member organization or any other member or principal executive therein is directly or indirectly interested with any person other than such member organization or any other member or principal executive therein.

(c) The provisions of this Rule shall not apply to any purchase or sale (1) by a member for a joint account maintained solely for effecting *bona fide* domestic or foreign arbitrage transactions, or (2) by an odd-lot dealer or a DMM for any joint account in which he is expressly permitted to have an interest or participation by Rule 94 - Equities.

• • • Supplementary Material:

.10 A member who routes to another market center, an order for the purchase or sale of a security shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Rule.

### **Rule 94 - Equities. Designated Market Makers' or Odd-Lot Dealers' Interest in Joint Accounts**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) A DMM who conducts business on behalf of a DMM unit, shall neither directly nor indirectly acquire or hold any interest or participation in any joint account for buying or selling on the Exchange, or on any other market center pursuant to Regulation NMS any stock in which such DMM is registered, except a joint account in which such DMM unit is the participant (i) with a member or members who conduct business or (ii) with a member organization.

## **Rule 95 - Equities. Discretionary Transactions**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) No member while on the Floor shall execute or cause to be executed on the Exchange, or on any other market center pursuant to Regulation NMS any transaction for the purchase or sale of any stock with respect to which transaction such member is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale. The member must receive all material terms of an order, as referenced in (1), (2), and (3), from the member's customer off the Floor, and may not simply rely on a general understanding of the customer's intentions and thereby create an order or a material term of an order on the Floor. For example, a member who has purchased stock pursuant to a customer's off-Floor order may not simply rely on an understanding of the customer's strategy to sell the stock if it becomes profitable to do so, but must first obtain a new order to sell entered by the customer from off the Floor. See also Rule 90 - Equities and the supplementary material thereto.

(b) The provisions of paragraph (a) of this Rule shall not apply to any transaction permitted by Rule 93 - Equities for any account in which the member executing such transaction is directly or indirectly interested.

### **• • • Supplementary Material:**

.10 The provisions of this rule shall not apply to (i) any order to liquidate a position carried over from a previous trading session; (ii) any order liquidating any part of a position assumed as part of a strategy relating to bona fide arbitrage; and (iii) any order liquidating any part of a block position assumed in reliance on the exemption for block positioners contained in Section 11(a)(1)(A) of the Securities Exchange Act.

.20 Reserved.

.30 Reserved.

## **Rule 96 - Equities. Limitation on Members' Trading Because of Options**

*This Rule is not applicable to trading on the Pillar trading platform.*

No member while on the Floor shall initiate the purchase or sale on the Exchange for his own account or for any account in which he, his member organization, or any member, principal executive, or approved person of such organization is directly or indirectly interested, of any stock in which he holds or has granted any put, call, straddle or other option, or in which he has knowledge that his member organization or any of the above mentioned accounts holds or has granted any put, call, straddle or other option, except that the provisions of this rule shall not apply in the case of any such options that are listed or traded on a national securities exchange. The Exchange may at any time, and from time to time, require reports relating to transactions in options effected by a member or member organization.

• • • ***Supplementary Material:***

.10 A member who routes to another market center, an order for the purchase or sale of a security shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Rule.

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**Rule 103A - Equities. Member Education**

*This Rule is not applicable to trading on the Pillar trading platform.*

The Exchange shall develop procedures and standards for qualification and performance of members active on the Floor of the Exchange. All proposed Floor members must complete such educational program as may be prescribed by the Exchange before they will be permitted to act as a member on the Floor of the Exchange. All individuals qualified to act as Floor members, whether a primary or substitute trading license user, must complete such mandatory continuing education program modules as the Exchange may introduce from time to time. Individuals qualified to act as Floor members who fail to complete an educational module within 60 days from the date originally scheduled to participate, or within such different number of days as the Exchange may prescribe in connection with a particular module, will be precluded from entering on the trading Floor until such time as the member satisfies the requirement to complete the educational module. The requirement to complete educational modules shall not apply to Executive Floor Governors. A member required to complete a particular educational module pursuant to this rule may satisfy his or her obligation by substantially assisting the Exchange in the development of such educational module.

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**Rule 105 - Equities. DMMs' Interest in Pools**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) No DMM unit or officer or employee thereof shall be directly or indirectly interested in a pool dealing or trading in a stock in which such DMM unit is registered as a DMM.

**[Rule 106 - Equities. Reserved]**

Reserved.]

**Rule 106A - Equities. Taking Book or Order of Another Member**

*This Rule is not applicable to trading on the Pillar trading platform.*

When a member temporarily takes the book of a DMM or an order from another member, he or she shall, while he or she is in possession of that book or order and for the remainder of the day, stand in the same relationship to the book or order as the DMM or other member.

**[Rule 107 - Equities. Reserved]**

Reserved.]

**Rule 107B - Equities. Supplemental Liquidity Providers**

*This Rule is not applicable to trading on the Pillar trading platform.*

(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 (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").

(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 Equities Price List on the Exchange's website), subject to the non-regulatory penalty provision described in subsection (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 its assigned securities only.

(c) Qualifications of an SLP-Prop. 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) - 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) - Equities, 28% for securities subject to Rule 80C(a)(ii) - Equities, and 30% for securities subject to Rule 80C(a)(iii) - 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 - Equities is not in effect, the Designated Percentage shall be 20% for securities subject to Rule 80C(a)(i) - Equities, 28% for securities subject to Rule 80C(a)(ii) - Equities, and 30% for securities subject to Rule 80C(a)(iii) - Equities.
- (iv) For purposes of this Rule, the "Defined Limit" shall be 9.5% for securities subject to Rule 80C(a)(i) - Equities, 29.5% for securities subject to Rule 80C(a)(ii) - Equities, and 31.5% for securities subject to Rule 80C(a)(iii) - 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 - Equities is not in effect, the Defined Limit shall be 21.5% for securities subject to Rule 80C(a)(i) - Equities, 29.5% for securities subject to Rule 80C(a)(ii) - Equities, and 31.5% for securities subject to Rule 80C(a)(iii) - 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.

(e) Application Process.

- (1) For purposes of this Rule, an "SLP Liaison Committee" shall consist of NYX Holdings 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 (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.
- (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)(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.

(f) Voluntary Withdrawal of SLP Status.

(1) An SLP may withdraw from such status 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 - 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.

(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) Buy Minus Zero Plus orders 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 - Equities.

(h) Assignment of Securities.

(1) The SLP Liaison Committee in its discretion, will assign to the SLP, a group of securities consisting of Exchange-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.

(i) Entry of Orders. 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.

(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 (e)(6) or disqualified from its status as an SLP pursuant to Section (j)(1)(C)(iii), such member organization may re-apply for SLP status in accordance with Section (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.

(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 (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.

**Rule 107C - Equities. Retail Liquidity Program**

*This Rule is not applicable to trading on the Pillar trading platform.*

**(a) Definitions.**

- (1) Retail Liquidity Provider. A "Retail Liquidity Provider" or "RLP" is a member organization that is approved by the Exchange under this Rule to act as such and that is required to submit Retail Price Improvement in accordance with this Rule.

(2) Retail Member Organization. A "Retail Member Organization" or "RMO" is a member organization (or a division thereof) that has been approved by the Exchange under this Rule to submit Retail Orders.

(3) Retail Order. A "Retail Order" is an agency order or a riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by a Retail Member Organization, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.

A Retail Order is an Immediate or Cancel Order and shall operate in accordance with Rule 107C(k). A Retail Order may be an odd lot, round lot, or PRL.

(4) Retail Price Improvement Order. A "Retail Price Improvement Order" or "RPI" consists of non-displayed interest in Exchange traded securities (including but not limited to Exchange-listed securities and securities listed on the Nasdaq Stock Market traded pursuant to unlisted trading privileges) that is priced better than the best protected bid ("PBB") or best protected offer ("PBO"), as such terms are defined in Regulation NMS Rule 600(b)(57), by at least \$0.001 and that is identified as such. Exchange systems will monitor whether RPI buy or sell interest, adjusted by any offset and subject to the ceiling or floor price, is eligible to interact with incoming Retail Orders. An RPI remains non-displayed in its entirety (the buy or sell interest, the offset, and the ceiling or floor). For securities to which it is assigned, an RLP shall only enter an RPI in their RLP capacity. An RLP is permitted, but not required, to submit RPIs for securities to which it is not assigned, and will be treated as a non-RLP member organization for those particular securities. Additionally, member organizations other than RLPs are permitted, but not required, to submit RPIs. An RPI may be an odd lot, round lot, or PRL.

**(b) Retail Member Organization Qualifications and Application.**

(1) To qualify as a Retail Member Organization, a member organization must conduct a retail business or route retail orders on behalf of another broker-dealer. For purposes of this Rule, conducting a retail business includes carrying retail customer accounts on a fully disclosed basis

(2) To become a Retail Member Organization, a member organization must submit:

(A) an application form;

(B) supporting documentation, which may include sample marketing literature, Web site screenshots, other publicly disclosed materials describing the member organization's retail order flow, and any other documentation and information requested by the Exchange in order to confirm that the applicant's order flow would meet the requirements of the Retail Order definition; and



(C) an attestation, in a form prescribed by the Exchange, that substantially all orders submitted as Retail Orders will qualify as such under this Rule.

- (3) After an applicant submits the application form, supporting documentation, and attestation, the Exchange shall notify the applicant of its decision in writing.
- (4) A disapproved applicant may: (A) request an appeal of such disapproval by the Exchange as provided in paragraph (i) below; and/or (B) reapply for Retail Member Organization status 90 days after the disapproval notice is issued by the Exchange.
- (5) A Retail Member Organization may voluntarily withdraw from such status at any time by giving written notice to the Exchange.
- (6) A Retail Member Organization must have written policies and procedures reasonably designed to assure that it will only designate orders as Retail Orders if all requirements of a Retail Order are met. Such written policies and procedures must require the member organization to (i) exercise due diligence before entering a Retail Order to assure that entry as a Retail Order is in compliance with the requirements of this Rule, and (ii) monitor whether orders entered as Retail Orders meet the applicable requirements. If a Retail Member Organization does not itself conduct a retail business but routes Retail Orders on behalf of another broker-dealer, the Retail Member Organization's supervisory procedures must be reasonably designed to assure that the orders it receives from such other broker-dealer that are designated as Retail Orders meet the definition of a Retail Order. The Retail Member Organization must (i) obtain an annual written representation, in a form acceptable to the Exchange, from each other broker-dealer that sends the Retail Member Organization orders to be designated as Retail Orders that entry of such orders as Retail Orders will be in compliance with the requirements of this Rule; and (ii) monitor whether Retail Order flow routed on behalf of such other broker-dealer meets the applicable requirements.

**(c) RLP Qualifications.** To qualify as an RLP, a member organization must:

- (1) be approved to act as a Designated Market Maker or Supplemental Liquidity Provider;
- (2) demonstrate an ability to meet the requirements of an RLP;
- (3) have mnemonics or the ability to accommodate other Exchange-supplied designations that identify to the Exchange RLP trading activity in assigned RLP securities. A member organization may not use such mnemonic or designation for non-RLP trading activity at the Exchange. A member organization shall not receive credit for its RLP trading activity for which it does not use its mnemonic or designation; and
- (4) have adequate trading infrastructure and technology to support electronic trading.

**(d) RLP Application.**

- (1) To become an RLP, a member organization must submit an RLP application form with all supporting documentation to the Exchange.
- (2) After an applicant submits an RLP application form with supporting documentation to the Exchange, the Exchange shall notify the applicant of its decision. The Exchange may approve one or more member organizations to act as an RLP for a particular security. The Exchange may also approve a particular member organization to act as RLP for one or more securities. Approved RLPs may be assigned securities according to requests made to, and approved by, the Exchange.
- (3) If an applicant is approved by the Exchange to receive RLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant is permitted to trade as an RLP on the Exchange.
- (4) If an applicant is disapproved under this paragraph (d) by the Exchange, the Exchange shall provide written notice of its disapproval. The disapproved applicant may: (A) request an appeal of such disapproval by the Exchange as provided in paragraph (i) below; and/or (B) reapply for RLP status 90 days after the disapproval notice is issued by the Exchange.

**(e) Voluntary Withdrawal of RLP Status.** An RLP may withdraw from its status as an RLP by giving notice to the Exchange. Such withdrawal shall become effective when those securities assigned to the withdrawing RLP are reassigned to another RLP. After the Exchange receives the notice of withdrawal from the withdrawing RLP, the Exchange shall reassign such securities as soon as practicable, but no later than 30 days after the date said notice is received by the Exchange. In the event the reassignment of securities takes longer than the 30-day period, the withdrawing RLP shall have no obligations under this Rule 107C and shall not be held responsible for any matters concerning its previously assigned RLP securities upon termination of this 30-day period.

**(f) RLP Requirements.**

- (1) An RLP may only enter a Retail Price Improvement Order electronically and directly into Exchange systems and facilities designated for this purpose and only in an RLP capacity for the securities to which it is assigned as RLP. An RLP entering RPIs in securities to which it is not assigned is not required to satisfy the requirements in this paragraph. An RLP must maintain:
  - (A) a Retail Price Improvement Order that is better than the PBB at least five percent of the trading day for each assigned security; and

(B) a Retail Price Improvement Order that is better than the PBO at least five percent of the trading day for each assigned security.

(2) An RLP's five-percent requirements are calculated by determining the average percentage of time an RLP maintains a Retail Price Improvement Order in each of its RLP securities during the regular trading day on a daily and monthly basis. The Exchange shall determine whether an RLP has met this requirement by calculating the following:

(A) the "Daily Bid Percentage" is calculated by determining the percentage of time an RLP maintains a Retail Price Improvement Order with respect to the PBB during each trading day for a calendar month;

(B) the "Daily Offer Percentage" is calculated by determining the percentage of time an RLP maintains a Retail Price Improvement Order with respect to the PBO during each trading day for a calendar month;

(C) the "Monthly Average Bid Percentage" is calculated for each RLP security by summing the security's "Daily Bid 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; and

(D) the "Monthly Average Offer Percentage" is calculated for each RLP security by summing the security's "Daily Offer Percentage" for each trading day in a calendar month and then dividing the resulting sum by the total number of trading days in such calendar month.

(E) Only Retail Price Improvement Orders entered throughout the trading day shall be used when calculating whether an RLP is in compliance with its five-percent requirements.

(3) The five-percent requirement shall not be applicable in the first two calendar months a member organization operates as an RLP. The requirement shall take effect on the first day of the third consecutive calendar month the member organization operates as an RLP.

**(g) Failure of RLP to Meet Requirements.**

(1) If, after the first two months an RLP acts as an RLP, an RLP fails to meet any of the requirements set forth in paragraph (f) of this Rule for any assigned RLP security for three consecutive months, the Exchange may, in its discretion, take one or more of the following actions:

(A) revoke the assignment of any or all of the affected securities from the RLP;

(B) revoke the assignment of unaffected securities from the RLP; or

(C) disqualify the member organization from its status as an RLP.

(2) Disqualification Determinations. The Exchange shall determine if and when a member organization is disqualified from its status as an RLP. One calendar month prior to any such determination, the Exchange shall notify an RLP of such impending disqualification in writing. When disqualification determinations are made, the Exchange shall provide a written disqualification notice to the member organization.

(3) Appeal and/or Reapplication for RLP Status. An RLP that is disqualified under this paragraph (g) may: (A) appeal such disqualification as provided in paragraph (i) below; and/or (B) reapply for RLP status 90 days after the disqualification notice is issued by the Exchange.

**(h) Failure of RMO to Abide by Retail Order Requirements.**

(1) If a Retail Member Organization designates orders submitted to the Exchange as Retail Orders and the Exchange determines, in its sole discretion, that such orders fail to meet any of the requirements set forth in paragraph (a) of this Rule, the Exchange may disqualify a member organization from its status as a Retail Member Organization.

(2) Disqualification Determinations. The Exchange shall determine if and when a member organization is disqualified from its status as a Retail Member Organization. When disqualification determinations are made, the Exchange shall provide a written disqualification notice to the member organization.

(3) Appeal and/or Reapplication for Retail Member Organization Status. A Retail Member Organization that is disqualified under this paragraph (h) may: (A) appeal such disqualification as provided in paragraph (i) below; and/or (B) reapply for Retail Member Organization status 90 days after the date of the disqualification notice from the Exchange.

**(i) Appeal of Disapproval or Disqualification.**

(1) If a member organization disputes the Exchange's decision to disapprove it under Rule 107C(b) or (d) or disqualify it under Rule 107C(g) or (h), the member organization ("appellant") may request, within five business days after notice of the decision is issued by the Exchange, that the Retail Liquidity Program Panel ("RLP Panel") review the decision to determine if it was correct.

(A) In the event a member organization is disqualified from its status as an RLP pursuant to paragraph (g) of this Rule, the Exchange shall not reassign the appellant's securities to a different RLP until the RLP Panel has informed the appellant of its ruling.

- (2) The RLP Panel shall consist of the NYSE's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and two officers of the Exchange designated by the Co-Head of U.S. Listings and Cash Execution.
- (3) The RLP Panel shall review the facts and render a decision within the time frame prescribed by the Exchange.
- (4) The RLP Panel may overturn or modify an action taken by the Exchange under this Rule. A determination by the RLP Panel shall constitute final action by the Exchange.

**(j) Retail Liquidity Identifier.** An identifier shall be disseminated through proprietary data feeds or as appropriate through the Consolidated Quotation System when RPI interest priced at least \$0.001 better than the PBB or PBO for a particular security is available in Exchange systems ("Retail Liquidity Identifier"). The Retail Liquidity Identifier shall reflect the symbol for the particular security and the side (buy or sell) of the RPI interest, but shall not include the price or size of the RPI interest.

**(k) Retail Order Designation.** A Retail Member Organization can designate how a Retail Order will interact with available contra-side interest as follows:

- (1) Type 1. A Type 1-designated Retail Order will interact only with available contra-side Retail Price Improvement Orders and MPL Orders but will not interact with other available contra-side interest in Exchange systems or route to other markets. The portion of a Type 1-designated Retail Order that does not execute against contra-side Retail Price Improvement Orders will be immediately and automatically cancelled.
- (2) Type 2. A Type 2-designated Retail Order will interact first with available contra-side Retail Price Improvement Orders and MPL Orders and any remaining portion of the Retail Order will be executed as a Regulation NMS-compliant Immediate or Cancel Order pursuant to Rule 13 - Equities.
- (3) Type 3. A Type 3-designated Retail Order will interact first with available contra-side Retail Price Improvement Orders and MPL Orders and any remaining portion of the Retail Order will be executed as an Exchange Immediate or Cancel Order pursuant to Rule 13 - Equities.

#### **(l) Priority and Order Allocation**

Retail Price Improvement Orders in the same security shall be ranked and allocated according to price then time of entry into Exchange systems. When determining the price to execute a Retail Order, Exchange systems consider all eligible RPIs and MPL Orders. If the only interest is RPIs, then the executions shall occur at the price level that completes the incoming order's execution. If the only interest is MPL Orders, the Retail Order shall execute at the midpoint of the PBBO. If both RPIs and MPL Orders are

present, Exchange systems will evaluate at what price level the incoming Retail Order may be executed in full ("clean-up price"). If the clean-up price is equal to the midpoint of the PBBO, RPIs will receive priority over MPL Orders, and the Retail Order will execute against both RPIs and MPL Orders at the midpoint. If the clean-up price is worse than the midpoint of the PBBO, the Retail Order will execute first with the MPL Orders at the midpoint of the PBBO and any remaining quantity of the Retail Order will execute with the RPIs at the clean-up price. If the clean-up price is better than the midpoint of the PBBO, then the Retail Order will execute against the RPIs at the clean-up price and will ignore the MPL Orders. Any remaining unexecuted RPI interest and MPL Orders will remain available to interact with other incoming Retail Orders. Any remaining unexecuted portion of the Retail Order will cancel or execute in accordance with Rule 107C(k).

Examples of priority and order allocation are as follows:

Example 1:

PBBO for security ABC is \$10.00 - \$10.05

RPL 1 enters a Retail Price Improvement Order to buy ABC at \$10.01 for 500

RPL 2 then enters a Retail Price Improvement Order to buy ABC at \$10.02 for 500

RPL 3 then enters a Retail Price Improvement Order to buy ABC at \$10.03 for 500

An incoming Retail Order to sell ABC for 1,000 executes first against RPL 3's bid for 500, because it is the best priced bid, then against RPL 2's bid for 500, because it is the next best priced bid. RPL 1 is not filled because the entire size of the Retail Order to sell 1,000 is depleted. The Retail Order executes at the price that completes the order's execution. In this example, the entire 1,000 Retail Order to sell executes at \$10.02 because it results in a complete fill.

However, assume the same facts above, except that RPL 2's Retail Price Improvement Order to buy ABC at \$10.02 is for 100. The incoming Retail Order to sell 1,000 executes first against RPL 3's bid for 500, because it is the best priced bid, then against RPL 2's bid for 100, because it is the next best priced bid. RPL 1 then receives an execution for 400 of its bid for 500, at which point the entire size of the Retail Order to sell 1,000 is depleted. The Retail Order executes at the price that completes the order's execution, which is \$10.01.

Example 2:

PBBO for security DEF is \$10.00 - 10.01

RLP 1 enters a Retail Price Improvement Order to buy DEF at \$10.006 for 500

RLP 2 enters a Retail Price Improvement Order to buy DEF at \$10.005 for 500

MPL 1 enters an MPL Order to buy DEF at \$10.01 for 1000

RLP 3 enters a Retail Price Improvement Order to buy DEF at \$10.002 for 1000

An incoming Retail Order to sell DEF for 2,500 arrives. The clean-up price is \$10.002. Because the midpoint of the PBBO is priced better than the clean-up price, the Retail Order executes with MPL 1 for 1000 shares at \$10.005. The Retail Order then executes at \$10.002 against RLP 1's bid for 500, because it is the best-priced bid, then against RLP 2's bid for 500 because it is the next best-priced bid and then RLP 3 receives an execution for 500 of its bid for 1000, at which point the entire size of the Retail Order to sell 2,500 is depleted.

Assume the same facts above. An incoming Retail Order to sell DEF for 1,000 arrives. The clean-up price is \$10.005. Because the clean-up price is equal to the midpoint of the PBBO, RPIs will receive priority over MPL Orders. As a result, the Retail Order executes first against RLP 1's bid for 500, because it is the best-priced bid, then against RLP 2's bid for 500 because it is the next best-priced bid, at which point the entire size of the Retail Order to sell 1,000 is depleted.

**(m) Rule Pilot Program.** This rule shall operate for a pilot period set to expire on June 30, 2017. During the pilot period, the Program will be limited to trades occurring at prices equal to or greater than \$1.00 per share.

### **Rule 108 - Equities. Limitation on Members' Bids and Offers**

*This Rule is not applicable to trading on the Pillar trading platform.*

#### **On parity**

(a) No bid or offer made by a member or made on an order for stock originated by a member while on the Floor to establish or increase a position in such stock for an account in which such member has an interest shall be entitled to parity with a bid or offer made on an order originated off the Floor, except that such a bid or offer shall be entitled to parity with a bid or offer made on an order originated off the Floor and being

executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder. The foregoing shall not apply to DMMs.

### **Exceptions**

(b) The provisions of paragraphs (a) and (b) shall not apply to bids or offers made:

(1) to offset a transaction made in error; or

(2) for bona fide arbitrage.

(See Rule 90(c) - Equities `Dealings by Members in the Exchange' and Rule 112- Equities for `Interpretations and Instructions'.)

### **• • • Supplementary Material:**

.10 Combining own bids or offers with orders.—When members combine bids or offers for own account with orders in their possession for the purpose of initiating or increasing a position and purchase or sell stock they must, if the amount bought or sold is in excess of their orders, ask other members in the Crowd at the time who made bids or offers at the price of the transaction, if they have public orders. If such be the case, the member who bought or sold the stock must turn over to the other members on their public orders the amount in excess of his orders before retaining the remainder for his own account. This does not apply when the member is covering a short position or liquidating a long position for his own account.

### **[Rule 109 - Equities - 111 - Equities.**

Reserved.]

### **Rule 112 - Equities. Orders Initiated `Off the Floor.'**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) All orders in stocks for the account of a member organization or any member, principal executive, or approved person in such organization or officer or employee thereof or a discretionary account serviced by the member or member organization must be sent to the Floor through a clearing firm's order room or other facilities regularly used for transmission of public customers' orders to the Floor.

The restrictions of paragraph (a) above shall not apply to an order:

(i) when a Floor Official expressly invites a member or members to participate in a difficult market situation;



(ii) to facilitate the purchase or sale of a block of stock because the market on the Floor could not readily absorb the block at a particular price or prices;

(iii) to sell stock for an account in which the member organization is directly or indirectly interested if, in facilitating the sale of a large block of stock, the member organization acquired its position on the Floor because the demand was not sufficient to absorb the block at a particular price or prices;

(iv) to effect bona fide arbitrage or to engage in the purchase and sale, or sale and purchase of securities of companies involved in publicly announced merger, acquisition, consolidation, tender, etc.; or

(v) to offset a transaction made in error.

(b) 'On the Floor' or 'On-Floor' means the trading Floor of the Exchange as defined in Rule 6 - Equities.

(c) A member using a communication facility located on the Floor of the Exchange to enter an order for his own account will be deemed to be initiating an off-Floor order if such order is routed through a clearing firm's order room, where a time-stamped record of the order is maintained, before such order is re-transmitted to the Floor for execution. However, an off-Floor order for an account in which a member has an interest is to be treated as an on-Floor order if it is executed by the member who initiated it.

(d) Any order entered by a member organization for any account in which it, or any member, principal executive, approved person, officer, or employee of such organization is directly or indirectly interested, or for any discretionary account serviced by the member organization, following a conversation with a member or employee in that organization who is on the Floor, shall be deemed to be an off-Floor order, provided (i) that such order is transmitted to the Floor through an order room or other facility regularly used for the transmission of public orders to the Floor, where a time-stamped record of the order is maintained; or (ii) an exception from the order room transmission requirement is available under paragraph (a) of this Rule.

(e) No member or member organization shall execute, or cause to have executed, on the Exchange, any order for any account in which such member, member organization, or any member, principal executive, approved person, officer, or employee of such organization thereof is directly or indirectly interested, or for any discretionary account serviced by the member or member organization, in contravention of any Exchange policy against the front-running of block transactions that the Exchange may from time to time adopt and make known to its members.

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## **Handling of Orders and Reports (Rules 115 - Equities—127 - Equities)**

**[Rule 115 - Equities. Reserved]**

Reserved.]

**Rule 115A - Equities. Orders at Opening**

*This Rule is not applicable to trading on the Pillar trading platform.*

**(a) Arranging an opening or price.** When arranging an opening or reopening price:

- (1) Except as provided for in Rule 115A(a)(2) - Equities, market interest is guaranteed to participate in the opening or reopening transaction and shall have precedence over (i) limit interest that is priced equal to the opening or reopening price of a security and (ii) DMM interest.
  - (A) For purposes of the opening or reopening transaction, market interest includes (i) Market and MOO Orders, (ii) limit interest to buy (sell) that is priced higher (lower) than the opening or reopening price, and (iii) Floor broker interest entered manually by the DMM.
  - (B) For purposes of the opening or reopening transaction, limit interest includes limited-priced interest, including e-Quotes, LOO orders, and G orders that are priced equal to the opening or reopening price of a security.
  - (C) Limit interest that is priced equal to the opening or reopening price of a security and DMM interest are not guaranteed to participate in the opening or reopening transaction.
  - (D) G orders that are priced equal to the opening or reopening price of a security yield to all other limit interest priced equal to the opening or reopening price of a security except DMM interest.
- (2) If the aggregate quantity of MOO and market orders on at least one side of the market equals one round lot or more, the security shall open on a trade. If the aggregate quantity of MOO and market orders on each side of the market equals less than one round lot or is zero, the security may open on a quote. If a security opens on a quote, odd-lot market orders shall automatically execute in a trade immediately following the open on a quote and odd-lot MOOs shall immediately and automatically cancel. MOO and market orders subject to tick restrictions that either cannot participate at an opening or reopening price or are priced equal to the opening or reopening price shall not be included in the aggregate quantity of MOO and market orders.

**Rule 116 - Equities. 'Stop' Constitutes Guarantee**

*This Rule is not applicable to trading on the Pillar trading platform.*

An agreement by a member to `stop' securities at a specified price shall constitute a guarantee of the purchase or sale by him of the securities at that price or its equivalent.

If an order is executed at a less favorable price than that agreed upon, the member who agreed to stop the securities shall be liable for an adjustment of the difference between the two prices.

• • • *Supplementary Material:*

**.10 Reporting `stops'.**—Members and member organizations should report to their customers that securities have been `stopped' with another member only if the `stop' is unconditional and the other member had definitely agreed thereto.

**.20 `Stopping' stock.**—The privilege of stopping stock, other than rights, shall not be granted or accepted by a Floor broker, except that, in a minimum variation market, a Floor broker who holds simultaneously an order to buy at the market and an order to sell the same stock at the market may stop such purchase and selling orders against each other and pair them off at prices and in amounts corresponding to those of the subsequent sales in the stock as they occur in the market. This exception will also apply when two Floor brokers, one holding an order to buy at the market and the other holding an order to sell the same stock at the market, arrive in the Crowd at the same time.

For the purpose of the exceptions provided herein, a limited order to buy which is possible of execution at the prevailing offer price or a limited order to sell which is possible of execution at the prevailing bid price may be regarded as a market order.

**.30 Restrictions on `stopping' stock by DMM.**—No DMM may stop stock against the book or for his or her own account.

**.40 `Stopping' stock on market-at-the-close orders.** Notwithstanding any provisions of this Rule or of any other Exchange Rule to the contrary, a member shall execute market-at-the-close and marketable limit-at-the-close orders in a stock as provided below, where the member is holding simultaneously both buy and sell market-at-the-close and/or marketable limit-at-the-close orders.

(A) Where there is an imbalance between the buy and sell market-at-the-close orders, the member shall, at the close of trading on the Exchange in that stock on that day, execute the imbalance against the prevailing bid or offer on the Exchange, as appropriate.

(B) Where the aggregate size of the buy market-at-the-close orders equals the aggregate size of the sell market-at-the-close orders, the buy orders and sell orders shall be paired-off at the price of the last sale of the Exchange just prior to the close of trading in that stock on that day. The transaction shall be reported to the consolidated last sale reporting system as a single transaction. See Rule 123C - Equities for discussion of procedures applicable to market-at-the-close and limit-at-the close orders.

**Rule 117 - Equities. Orders of Members To Be in Writing**

*This Rule is not applicable to trading on the Pillar trading platform.*

No member on the Floor shall make any bid, offer or transaction for or on behalf of another member except pursuant to a written or electronically recorded order. If a member to whom an order has been entrusted leaves the Crowd without actually transferring the order to another member, the order shall not be represented in the market during his or her absence, except with respect to any portion of his or her agency interest file that was not cancelled before the member left the Crowd, notwithstanding that such failure to cancel an agency interest file is a violation of Exchange rules.

• • • **Supplementary Material:**

**.10 Absence from Crowd.**—When a member keeps an order in his or her possession and leaves the Crowd in which dealings in the security are conducted, the member is not entitled during his or her absence to have any bid, offer or transaction made in such security on his or her behalf or to have dealings in the security held up until he or she is summoned to the Crowd, except that the member shall be held to any executions involving his or her agency interest files. To insure representation of an order in the market during his or her absence, a member must therefore actually turn the order over to another member who will undertake to remain in the Crowd. If a member keeps the order in his or her possession and during his or her absence from the Crowd the security sells at or through the limit of his or her order, the member will be deemed to have missed the market.

**.20 Re-opening contracts.**—Transactions in securities made by a member when he has no order for the purchase or sale thereof must be consummated for the account of the member or his member organization and may not later be assumed by another account.

**[Rule 118 – Equities. Deleted]**

**Rule 119 - Equities. Change in Basis from "And Interest" to "Flat"**

*This Rule is not applicable to trading on the Pillar trading platform.*

When a change in the basis of trading in bonds from "and interest" to "flat" becomes effective as determined by the Exchange, the order will be cancelled, and the NYSE MKT Bonds User who entered the order will be immediately notified of such cancellation.

The User of NYSE MKT Bonds who gave the order to sell shall be immediately notified that the order to sell at a price "and interest" is no longer valid and has been cancelled.

**Rule 121 - Equities. Records of DMM Units**

*This Rule is not applicable to trading on the Pillar trading platform.*

Every DMM unit shall keep a legible record of all orders placed with him or her in the securities in which the DMM unit is registered and of all executions, modifications and cancellations of such orders, and shall preserve such record and all memoranda relating thereto for a period of at least three years. All such records of orders and modifications or cancellations of such orders shall include the name and amount of the security, the terms of the order, modification or cancellation, and the time when such order, modification or cancellation was received. The DMM unit shall retain for a period of at least three years any report received from the Exchange relating to the migration to or from, or the execution through, the "Off-Hours Trading Facility" (as Rule 900 - Equities (Off-Hours Trading: Applicability and Definitions) defines that term) of any order placed with the DMM unit.

• • • ***Supplementary Material:***

.10 **Entry of orders.**—All orders given to DMMs or to other members must be entered and treated according to the name appearing on the slip, even though such name may be that of a member who is known to be affiliated with a member organization. Similarly, all reports confirmations, inquiries, give-ups, calls for members to confirm trades, etc. must be made in the name appearing on the slip. However, if a member requests a DMM to give up a clearing name instead of the one on the order slip, the DMM is not prohibited from doing so.

**Rule 122 - Equities. Orders with More than One Broker**

*This Rule is not applicable to trading on the Pillar trading platform.*

Except as provided herein, no member, member organization or any principal executive therein, or subsidiary of such organization within the meaning of Rule 321 - Equities, shall maintain with more than one broker, for execution on the Exchange, market orders or orders at the same price for the purchase or sale of the same security with knowledge that such orders are for the account of the same principal. However, a Floor broker may transmit manually or from a hand-held terminal to the Display Book® system, a portion of an order, while retaining the balance of the order. In any instance where a Floor broker has so transmitted a portion of an order for execution and retained the balance of such order, the Floor broker may not make a bid (offer) on behalf of the retained balance of the order in the auction market or via the Floor broker agency interest file, or execute any part of the retained order as part of an auction market transaction or automatic execution, at a price at which the portion of the order transmitted to the Display Book® system may also be represented in a bid (offer) or executed until the portion of the order transmitted to the Display Book® system has been executed or cancelled.

**Rule 123 - Equities. Record of Orders**

*This Rule is not applicable to trading on the Pillar trading platform.*

**(a) Given Out**

Every member shall preserve for at least three years a record of every order originated by him on the Floor and given to another member for execution and of every order originated from the Floor which is routed to another market center pursuant to Regulation NMS, and of every order originating off the Floor, transmitted by any person other than a member or member organization, to such member on the Floor, which record shall include the name and amount of the security, the terms of the order and the time when such order was so given or transmitted; provided, however, that the Exchange may, upon application, grant exemptions from the provisions of this Rule.

**(b) Receipt of Orders**

Every member shall preserve for at least three years a record of every order received by that member on the Floor from off the Floor. Such record shall include the name and amount of the security, the terms of the order and the time when such order was received. The provisions of this paragraph shall not apply to orders in Exchange listed or traded securities initiated and/or routed from a member organization's booth premise operating pursuant to Rule 70.40 - Equities for execution on another market center. Orders initiated and/or routed from a member organization's booth premise operating pursuant to Rule 70.40 - Equities for execution on another market center must comply with the provisions of the Rule Equities 7400 Series.

**(c) Cancelled or Executed**

Whenever a cancellation is entered with respect to such an order or an order routed to another market center pursuant to Regulation NMS or a report of the execution of such an order or an order routed to another market center pursuant to Regulation NMS is received, there shall be preserved for at least three years, in addition to the record required by the foregoing paragraph, a record of the cancellation of the order or of the receipt of such report, which shall include the time of the entry of such cancellation or of the receipt of such report.

**(d) By Accounts**

Before any such order is executed, including the case where an order is routed to another market center for execution pursuant to Regulation NMS there shall be placed upon the order slip or other record the name or designation of the account for which such order is to be executed. No change in such account name or designation shall be made unless the change has been authorized by any member, principal executive or officer in the member organization or authorized representative thereof who shall, prior to giving his approval of such change, be personally informed of the essential facts relative thereto and shall indicate his approval of such change in writing on the order.

**(e) System Entry Required**

(i) Except as provided in paragraphs .21 and .22 below, immediately following the receipt of an order in an Exchange listed or traded security on the Floor, members and member organizations must record the details of the order in an electronic system on the Floor. Any member organization proprietary system used to record the details of the order and agency interest file must be capable of transmitting these details to a designated Exchange data base within such time frame as the Exchange may prescribe. No Floor member or member organization shall represent, execute or place an agency interest file within the Display Book system or routed to a Floor broker for execution at the post unless the details of the order have been entered into an electronic system on the Floor.

(ii) Member organizations operating an approved booth premises pursuant to Rule 70.40 - Equities are only subject to the provisions of subparagraph (i) above when the order received or any part thereof in a member organization's approved booth premise is to be represented, executed or placed in an agency interest file within the Display Book System or routed to a Floor broker for execution at the post.

(iii) The details of each order required to be recorded by paragraphs (i) and (ii) above shall include the following data elements, any changes in the terms of the order and cancellations, in such form as the Exchange may from time to time prescribe:

1. Symbol;
2. Clearing member organization;
3. Order identifier that uniquely identifies order
4. Identification of member or member organization recording order details;
5. Number of shares or quantity of security;
6. Side of market;
7. Designation as market or limit order;
8. Any limit price, discretionary price range, discretionary volume range, discretionary quote price, pegging ceiling price, pegging floor price and/or whether discretionary instructions are active in connection with interest displayed by other market centers;
9. Time in force;
10. Designation as held or not held;
11. Any special conditions;

12. System-generated time of recording order details, modification of terms of order or cancellation of order; and

13. Such other information as the Exchange may from time to time require.

(iv) The Floor member must identify which orders or portions thereof are being made part of the Floor broker agency interest file and, with respect to such orders or portions thereof, what discretionary and/or pegging instructions, if any, have been assigned pursuant to such procedures as required by the Exchange.

**(f) Reports of Order Executions**

Order execution reports must be entered into the same database as required by this rule for the entry of orders. Any member organization proprietary system used to record the details of an order pursuant to paragraph (e) must also be capable of transmitting a report of the order's execution to such database. Order execution reports must be entered into such system within such time frame as the Exchange may prescribe. The details of each execution report required to be recorded shall include the following data elements, and any modifications to the report, in such form as the Exchange may from time to time prescribe:

1. Order identifier that uniquely identifies the order as required by paragraph (e);
2. Symbol;
3. Number of shares or quantity of security;
4. Transaction price;
5. Time the trade was executed;
6. Executing broker badge number, or alpha symbol as may be used from time to time, in regard to its side of the contract;
7. Executing broker badge number, or alpha symbol as may be used from time to time, of the contra side to the contract;
8. Clearing firm number, or alpha symbol as may be used from time to time, in regard to its side of the contract;
9. Clearing firm number, or alpha symbol as may be used from time to time, in regard to the contra side of the contract;
10. Whether the account for which the order was executed was that of a member or member organization or of a non-member or non-member organization;



11. Identification of member or member organization which recorded order details as required by paragraph (e);
12. Date the order was entered into an Exchange system;
13. Indication as to whether this is a modification to a previously submitted report;
14. Settlement Instructions; (e.g., cash, next day, or seller's option as defined in Equities Rule 14)
15. Special Trade Indication, if applicable;
16. Online Comparison System (OCS) Control Number;
17. Such other information as the Exchange may from time to time require.

• • • ***Supplementary Material:***

.10 Orders originated on or transmitted to the Floor.—When giving out orders originating on the Floor, or transmitted by any person other than a member or member organization to members on the Floor, or when changing or cancelling orders previously given, members are required to do so electronically, or in writing. This requirement, as well the requirement as provided in Rule 123 - Equities, above, relating to the keeping of records, may be met by preparing and retaining a duplicate of each such order given out and of any subsequent changes.

.20 **Orders.**—For purposes of paragraph (e), an order shall be any written, oral or electronic instruction to effect a transaction.

.21 **Orders not subject to paragraph (e) recording requirements.**—Any order executed by a DMM for his or her own account and any orders which by their terms are incompatible for entry in an Exchange system relied on by a Floor member to record the details of the order in compliance with this Rule shall be exempt from the order entry requirements of paragraph (e) above.

.22 With respect to a bona fide arbitrage order, a member may execute such order before entering the order into an electronic system as required by paragraph (e) above, but such member must enter such order into such electronic system no later than 60 seconds after the execution of such order. With respect to an order to offset a transaction made in error, a member may, upon discovering such error within the same trading session, effect an offsetting transaction without first entering such order into an electronic system, but such member must enter such order into such electronic system no later than 60 seconds after the execution of such order.

.23 **Time standards.**—Any vendor or proprietary system used by a member or member organization on the Floor to record the details of an order or report for purposes of this

rule must be synchronized with reference to a time source as designated by the Exchange.

### **Rule 123A - Equities. Miscellaneous Requirements**

*This Rule is not applicable to trading on the Pillar trading platform.*

#### **• • • Supplementary Material:**

**.10** Reserved

#### **.20 Day Orders**

Members will facilitate business on the Floor by sending their orders as early as possible before the opening.

**.23 Use of order and report forms.**—Members and member organizations who rent telephone spaces on the Floor may use at such spaces order forms, etc., bearing only their own name. In the case of a member organization, the name of the Exchange member may be used, if desired, provided the prior approval of the Exchange has first been obtained.

A member or member organization who rents no space may use forms bearing their own name in the telephone spaces of other members or member organizations with the permission of the Exchange, but if no such permission has been obtained such slips may be used only for orders originated on the Floor.

A member who acts as a DMM and uses the report pad of another member or member organization, must have his own name placed on said pad in addition to the name of such other member or member organization.

The foregoing does not apply to members who assist other members temporarily or in an emergency, but only to those members who regularly use the pad of another member or member organization.

Members and member organizations are required to use standardized stationery in such format as the Exchange may from time to time prescribe.

**.24** (Intentionally left blank)

**.31 through .39** Reserved

### **Broker's Obligation In the Handling of Certain Orders**

**.41 Market orders.**— A broker handling a market order is to use due diligence to execute the order at the best price or prices available to him under the published market procedures of the Exchange.

**.42 Limited orders.**— A broker handling a limited price order is to use due diligence to execute the order at the limit price, or at a better price, if available to him under the published market procedures of the Exchange.

**.43 At the close orders.**—A broker handling an 'at the close' order is to use due diligence to execute the order in its entirety at the closing price, on the Exchange, of the stock named in the order, and if the order cannot be so executed, it is to be cancelled. (See also Rules 13 - Equities and 116.40 - Equities.)

**.44 Not held orders.**—A broker who has been given a not held order is to use brokerage judgment in the execution of the order, and if he exercises such judgment, is relieved of all responsibility with respect to the time of execution and the price or prices of execution of such an order.

A DMM may not accept a 'not held' order.

**.45 Members' off-floor orders.**—Two persons consisting of Executive Floor Governors, or in the absence of any of them, two Floor Governors, Senior Floor Officials, or Executive Floor Officials in the order of seniority, have the authority to limit or ban the execution of off-Floor orders for accounts in which members or member organizations have an interest.

#### **.46 Representation by Member of Multiple Orders**

A member who has accepted for execution orders on the same side of the market from more than one customer may not proceed to execute any such order until the member discloses to all such customers that he or she is representing multiple orders on the same side of the market if the orders, as they are being executed, may not receive an execution in time priority of receipt, or an equal or strictly proportional split, based on the size of the orders, if that is the case, unless the terms of the order would provide for a different split.

**.65 Stabilizing orders.**—Attention is directed to the provisions of Regulations §-240.10b-6, 7, 8 of the Securities and Exchange Commission in the event a member is given an order for execution on the Exchange and he knows that the order is for the purpose of pegging, fixing or stabilizing the price of a security to facilitate an offering.

### **Short Sales**

**.71 Short Sales Accepted by Members.**— A member who accepts an order to sell short will be charged with seeing that the order is executed only when permitted by the rules regarding short selling.

Whenever the lowest price at which a short order may be executed is altered by reason of a change in the last sale price, the order shall be regarded as a new order at the new price

and shall take its place in Exchange systems as though it were a new order received at the time of the price change.

If a member accepts a short order at a limited price, such order shall be handled in accordance with the usual practice and rules of the Exchange.

Great care must be exercised by members in the handling of short limited orders. Members entrusted with short limited orders will appreciate that such orders may not retain their precedence when the limit at which they can be executed is changed as a result of the restrictions contained in such rules.

**.75 Order Identification.**—All members and member organizations shall comply with such requirements concerning the format for noting the identification and cancellation of orders, and such requirements and formats concerning special notations to be placed on orders, as the Exchange may from time to time prescribe.

### **Rule 123B - Equities. Exchange Automated Order Routing System**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) The Exchange's SuperDot System (hereafter referred to as 'the System') provides automated order routing and reporting services to facilitate the timely and efficient transmission, execution, and reporting of market and limit orders on the Exchange. Members and member organizations may transmit orders by means of the System of such size as the Exchange may specify from time to time. However, special features of these systems, as described in paragraph (b) below, may be available only to orders of a particular smaller size, as the Exchange may specify from time to time.

The Exchange will from time to time designate the size and types of orders eligible for transmission by means of the System, the securities as to which such orders may be transmitted, and the operational characteristics of the System, and may modify or amend such designations or characteristics from time to time.

(b) Special Features. The following special features shall be available to orders of such size as the Exchange may specify from time to time:

(1) Intentionally omitted

(2) Rule 411 - Equities provides that the price at which an order is executed shall be binding notwithstanding the fact that an erroneous report in respect thereto may have been rendered. When a purchase or sale has been reported in error, and a transaction has appeared on the tape at the price of the erroneous report and in a quantity equal to or exceeding the amount reported, the member who made the error must render a corrected report not later than noon on the business day following the day of the transaction. If not so corrected, the member who made the error will be responsible for any resulting loss.

(3) **Booth Support System.**—An entering member organization may determine to route orders of specified sizes eligible for transmission through the System to the DMM's post, or to its booth or to the booth of another member. Parameters for market orders are based on the size of the order. Parameters for limit orders are based on the size of the order and whether the order is marketable based on the limit price on the order in relation to the last sale on the Exchange in the subject security.

(c) System trades shall be reported and compared utilizing such universal contra designations as the Exchange may from time to time determine.

(d) The Exchange shall not be liable for any loss sustained by a member or member organization resulting from the use of the System. Generally, a loss pertaining to an order that is entered through the System and which does not appear on the System's Merged Order and Report Log will be absorbed by the entering member organization. A loss pertaining to an order that is entered through the System, and which does appear on the System's Merged Order and Report Log will generally subject to the provisions of Rule 18 - Equities.

• • • ***Supplementary Material:***

.10 Intentionally omitted

.20 For purposes of this Rule, in all instances where an order received by Exchange systems is canceled and replaced with another order, the replacement will be deemed to be a new order.

**.30 Sponsored Access to the Exchange**

(a) Applicability and Definitions

(i) Applicability. The provisions of this rule do not apply to NYSE MKT Bonds (Rule 86 - Equities).

(ii) Definitions.

(A) "Sponsoring Member Organization" means an Exchange Member or Member Organization as defined in Rule 2 - Equities that enters into a written "sponsorship agreement" with a "Sponsored Participant" (as that term is defined in this rule) to provide the Sponsored Participant with authorized access to the Exchange.

(B) "Sponsored Participant" means a person as defined in Rule 2(e) - Equities who has entered into a sponsorship arrangement with a Sponsoring Member Organization to obtain authorized access to the Exchange pursuant to this rule.

(b) Subject to the requirements for sponsored access set forth in this Rule, a Person with authorized access may submit orders for execution to the Exchange. To obtain authorized access to the Exchange, such Person must enter into a sponsorship agreement.

(c) Sponsored Participants. A Sponsored Participant may obtain authorized access to the Exchange only if such access is authorized in advance by one or more Sponsoring Member Organization as follows:

(1) Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring Member Organization establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on the Exchange. Such customer agreement(s) must incorporate the provisions set forth in paragraph (2) below.

(2) A Sponsoring Member Organization must agree in writing to the sponsorship provisions set forth below in order for the Sponsored Participant to obtain and maintain authorized access to the Exchange:

(A) The Sponsored Participant and its Sponsoring Member Organization must have entered into and maintained an agreement with the Exchange. The Sponsoring Member Organization must designate the Sponsored Participant by name in such agreement.

(B) The Sponsoring Member Organization acknowledges and agrees that:

(i) All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member Organization; and

(ii) The Sponsoring Member Organization is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

(C) The Sponsoring Member Organization shall at all times comply with the rules and procedures of the Exchange and the Sponsored Participant shall comply with the rules and procedures of the Exchange as if the Sponsored Participant were a Sponsoring Member Organization.

(D) The Sponsored Participant shall maintain, keep current, and provide to the Sponsoring Member Organization, upon request, a list of Authorized Traders (as described in section (d) below) who may obtain access to the Exchange on behalf of the Sponsored Participant.

- (E) The Sponsored Participant shall familiarize its Authorized Traders with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to the Exchange.
  - (F) The Sponsored Participant may not permit anyone other than Authorized Traders to use or obtain access to the Exchange.
  - (G) The Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to the Exchange, including unauthorized entry of information into the Exchange, or the information and data made available therein. The Sponsored Participant understands and agrees that the Sponsored Participant is responsible for any and all orders, trades, and other messages and instructions entered, transmitted or received under identifiers, passwords, and security codes of Authorized Traders, and for the trading and other consequences thereof.
  - (H) The Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents, and customers' use and access to the Exchange for compliance with the terms of this agreement.
  - (I) The Sponsored Participant shall pay when due all amounts, if any, payable to the Sponsoring Member Organization, the Exchange, or any other third parties that arise from the Sponsored Participants access to and use of the Exchange. Such amounts include, but are not limited to applicable exchange and regulatory fees.
- (3) Prior to providing the Sponsored Participant with authorized access to the Exchange, the Sponsoring Member Organization must provide the Exchange with a notice of consent acknowledging its responsibility for the orders, executions, and actions of its Sponsored Participant at issue.
- (d) Authorized Trader. For the purpose of this rule, an Authorized Trader shall mean a person who may submit orders to the Exchange on behalf of the Sponsored Participant.
- (1) A Sponsoring Member Organization shall maintain a list of Authorized Traders who may obtain access to the Exchange on behalf of the Sponsoring Member Organization's Sponsored Participants. The Sponsoring Member Organization shall update the list of Authorized Traders as necessary. The Sponsoring Member Organization must provide the list of Authorized Traders to the Exchange upon request.
  - (2) A Sponsoring Member Organization must have reasonable procedures to ensure that all Authorized Traders comply with the rules and procedures of the Exchange.
  - (3) A Sponsoring Member Organization must suspend or withdraw a person's status as an Authorized Trader if the Exchange has determined that the person has caused the

Sponsoring Member Organization to fail to comply with the Rules of the Exchange and the Exchange has directed the Sponsoring Member Organization to suspend or withdraw the person's status as an Authorized Trader.

- (4) A Sponsoring Member Organization must have reasonable procedures to ensure that the Authorized Traders maintain the physical security of any equipment sited on its premises for the purpose of accessing the Exchange, so as to prevent the improper use of or access to the Exchange, including unauthorized entry of information into the Exchange.

### **Rule 123C - Equities. The Closing Procedures**

*This Rule is not applicable to trading on the Pillar trading platform.*

#### **(1) Definitions for the Purpose of this Rule .**

- (a) **Better Priced.** Better Priced than the closing price means an order that is lower than the closing price in the case of an order to sell or higher than the closing price in the case of an order to buy.
- (b) **Informational Imbalance Publication.** An Informational Imbalance Publication is the dissemination of information between 3:00 p.m. and 3:45 p.m., pursuant to subparagraph (5)(b) below, that indicates a disparity between MOC and marketable LOC interest to buy and MOC and marketable LOC interest to sell of any size in any security that is not a Mandatory MOC/LOC Imbalance Publication.
- (c) **Legitimate Error.** A legitimate error means an error in any term of an MOC or LOC order, such as price, number of shares, side of the transaction (buy or sell) or identification of the security.
- (d) **Mandatory MOC/LOC Imbalance Publication.** A Mandatory MOC/LOC Imbalance Publication is the dissemination of information that indicates a disparity between MOC and marketable LOC interest to buy and MOC and marketable LOC interest to sell, measured at 3:45 p.m., that is:
- (i) 25,000 shares or more in any security, regardless of the average daily trading volume; or
  - (ii) otherwise constitutes a significant imbalance, such as an imbalance of less than 25,000 shares in any security where such imbalance is significant in relation to the average daily trading volume in the security may be published as soon as practicable after 3:45 p.m. with prior approval of a Floor Official or qualified ICE employee as defined in Rule 46.10 - Equities.
- (e) **Official Closing Price.** The Official Closing Price of a security listed on the Exchange is determined as follows:



- (i) The Official Closing Price is the price established in a closing transaction under paragraphs (7) and (8) of this Rule of one round lot or more. If there is no closing transaction in a security or if a closing transaction is less than one round lot, the Official Closing Price will be the most recent last-sale eligible trade in such security on the Exchange on that trading day.
  - (A) If there were no last-sale eligible trades in a security on the Exchange on a trading day, the Official Closing Price of such security will be the prior day's Official Closing Price.
  - (B) For a security that has transferred its listing to the Exchange and does not have any last-sale eligible trades on the Exchange on its first trading day, the Official Closing Price will be the prior day's closing price disseminated by the primary listing market that previously listed such security.
  - (C) For a security that is a new listing and does not have any last-sale eligible trades on the Exchange on its first trading day, the Official Closing Price will be based on a derived last sale associated with the price of such security before it begins trading on the Exchange.
- (ii) If the Exchange determines at or before 3:00 p.m. Eastern Time that it is unable to conduct a closing transaction in one or more securities due to a systems or technical issue, the Exchange will designate an alternate exchange for such security or securities and the Official Closing Price of each security will be determined on the following hierarchy:
  - (A) the Official Closing Price will be the official closing price for such security under the rules of the designated alternate exchange;
  - (B) if the designated alternate exchange does not have an official closing price in a security, the Official Closing Price will be the volume-weighted average price ("VWAP") of the consolidated last-sale eligible prices of the last five minutes of trading during regular trading hours up to the time that the VWAP is processed, including any closing transactions on an exchange, and taking into account any trade breaks or corrections up to the time of the VWAP is processed;
  - (C) if the designated alternate exchange does not have an official closing price in a security and there were no consolidated last-sale eligible trades in the last five minutes of trading during regular trading hours in such security, the Official Closing Price will be the last consolidated last-sale eligible trade during regular trading hours on that trading day;
  - (D) if the designated alternate exchange does not have an official closing price in a security and there were no consolidated last-sale eligible trades on a trading

day in such security, the Official Closing Price will be the prior day's Official Closing Price; or

- (E) if an Official Closing Price for a security cannot be determined under (A), (B), or (C) of this paragraph (e)(ii) and there is no prior day's Official Closing Price, the Exchange will not publish an Official Closing Price for such security.
- (iii) If the Exchange determines after 3:00 p.m. Eastern Time that it is unable to conduct a closing transaction in one or more securities due to a systems or technical issue, the Official Closing Price of each such security will be determined on the following hierarchy:
  - (A) the Official Closing Price will be the VWAP of the consolidated last-sale eligible prices of the last five minutes of trading during regular trading hours up to the time that the VWAP is processed, including any closing transactions on an exchange, and any taking into account any trade breaks busts or corrections up to the time the VWAP is processed;
  - (B) if there were no consolidated last-sale eligible trades in the last five minutes of trading during regular trading hours in such security, the Official Closing Price will be the last consolidated last-sale eligible trade during regular trading hours on that trading day;
  - (C) if there were no consolidated last-sale eligible trades in such security on a trading day, the Official Closing Price will be the prior day's Official Closing Price; or
  - (D) if an Official Closing Price for a security cannot be determined under (A), (B), or (C) of this paragraph (e)(iii) and there is no prior day's Official Closing Price, the Exchange will not publish an Official Closing Price for such security.
- (iv) If the Exchange determines the Official Closing Price under paragraphs (e)(ii) or (e)(iii) of this Rule, the Exchange will publicly announce the manner by which it will determine its Official Closing Price and the designated alternate exchange, if applicable, and all open interest designated for the Exchange close residing in Exchange systems will be deemed cancelled to give member organizations the opportunity to route their closing interest to alternate execution venues.
- (f) Order Imbalance Information. Order Imbalance Information is the data feed disseminated by the Exchange between 3:45 p.m. and 4:00 p.m. pursuant to subparagraph (6) below, which includes real-time order imbalances that accumulate prior to the closing transaction on the Exchange of this Rule 123C.

- (g) Trading Halt. A Trading Halt as used in this Rule 123C means a halt in the trading of any security pursuant to the provisions of Rule 123D - Equities.

**(2) MOC, LOC and CO Order Entry.**

(a) Order Entry Before 3:45 p.m.

- (i) Except as otherwise provided in this rule, all MOC and LOC orders must be entered electronically by 3:45 p.m.
- (ii) CO orders may be entered in a security any time prior to 4:00 p.m.

(b) Order Entry After 3:45 p.m.

- (i) After the publication of a Mandatory MOC/LOC Imbalance Publication pursuant to paragraph (5) below, Exchange systems will only accept MOC and LOC orders that offset the published imbalance and will reject MOC and LOC orders that do not offset the published imbalance (i.e., on the same side of a Mandatory MOC/LOC Imbalance Publication). Specifically, if the Mandatory MOC/LOC Imbalance Publication shows an excess of sell interest over buy interest, only MOC and LOC orders to buy will be accepted; if the Mandatory MOC/LOC Imbalance Publication show an excess of buy interest over sell interest, only MOC and LOC orders to sell will be accepted.
- (ii) Where there is no Mandatory MOC/LOC Imbalance Publication, Exchange systems will reject MOC and LOC orders entered after 3:45 p.m.
- (iii) CO orders may be entered on both sides of the market up to 4:00 p.m. and are not restricted to offsetting the Mandatory MOC/LOC Imbalance Publication.

(c) Order Entry in the Event of a Trading Halt

- (i) Where a Mandatory MOC/LOC Imbalance Publication is published at or after 3:45 p.m., and a Trading Halt occurs after such imbalance publication, Exchange systems will accept MOC and LOC orders that offset the published imbalance and will reject MOC and LOC orders on the same side of a Mandatory MOC/LOC Imbalance.
- (ii) When a Trading Halt in a security is in effect at 3:45 p.m. but is lifted prior to the close of trading in the security and a Mandatory MOC/LOC Imbalance Publication is published in connection with or after the reopening of trading in such security, Exchange systems will accept MOC and LOC orders that offset the published imbalance and will reject MOC and LOC orders on the same side of a Mandatory MOC/LOC Imbalance.

- (iii) Where there is no Mandatory MOC/LOC Imbalance Publication and a Trading Halt occurs after 3:45 p.m., Exchange systems will reject MOC and LOC orders after 3:45 p.m.

**(3) Cancellation of MOC, LOC and CO orders.**

- (a) Up to 3:45 p.m. MOC, LOC and CO orders may be cancelled or reduced in size for any reason.
- (b) Between 3:45 p.m. and 3:58 p.m., MOC, LOC and CO orders may be canceled or reduced in size to correct a legitimate error as that term is defined pursuant to Rule 123C(1)(c).
- (c) Except as provided for in Rule 123C(9), after 3:58 p.m., MOC, LOC and CO orders may not be cancelled or adjusted for any reason, including the correction of a legitimate error. Any such cancellations or adjustments entered through Exchange systems will be rejected.

**(4) Calculation of MOC and LOC Imbalances**

- (a) Calculation of Imbalances. MOC and LOC imbalances are calculated as follows:
  - (i) For purposes of calculating the Mandatory MOC/LOC Imbalance Publication, the term "last sale price" in paragraph (4)(a)(iii) and (iv) below means the last sale in the subject security, as reported to the Consolidated Tape, prior to 3:45 p.m.
  - (ii) For purposes of calculating Informational Imbalances and Order Imbalances, the term "last sale price" in paragraph (4)(a)(iii) and (iv) below means the last sale in the subject security, as reported to the Consolidated Tape prior to the calculation of the Informational Imbalance or the Order Imbalance.
  - (iii) Buy side closing volume is determined by aggregating all Buy MOC orders and Buy LOC orders priced above the last sale price. Buy LOC orders that are equal to the last sale price are not included in the calculation.
  - (iv) Sell side closing volume is determined by aggregating all Sell and Sell Short MOC orders and Sell and Sell Short LOC orders priced below the last sale price. Sell and Sell Short LOC orders that are equal to the last sale price are not included in the calculation.
  - (v) The difference between the Buy side closing volume as determined in paragraph 4(a)(iii) above and the Sell side closing volume as determined in paragraph 4(a)(iv) above is the Buy or Sell Imbalance.

(vi) Buy or Sell Imbalance as determined pursuant to paragraph (4)(a)(v) above will be reduced by the volume of LOC orders and LOC orders priced equal to the last sale to bring the imbalance quantity as close to zero as possible.

(A) In the event of a Buy Imbalance, only Sell and Sell Short LOC orders priced equal to the last sale will be included to offset the imbalance.

(B) In the event of a Sell Imbalance, only Buy LOC orders priced equal to the last sale will be included to offset the imbalance.

**(5) Publication of Mandatory MOC/LOC and Informational Imbalances.**

(a) A Mandatory MOC/LOC Imbalance Publication as defined in (1)(d)(i) above shall be published on the Consolidated Tape as soon as practicable after 3:45 p.m. A Mandatory MOC/LOC Imbalance Publication of less than 25,000 shares as defined in subparagraph (1)(d)(ii) above may be published only with the prior approval of a Floor Official or qualified ICE employee as defined in NYSE Rule 46.10.

(b) An Informational Imbalance Publication as defined in paragraph (1)(b) above in any security may be published on the Consolidated Tape between 3:00 and 3:45 p.m. with the prior approval of a Floor Official or qualified ICE employee as defined in NYSE Rule 46.10.

(i) If an Informational Imbalance Publication is published between 3:00 p.m. and 3:45 p.m., and subsequently there is an imbalance of 25,000 shares or greater, a Mandatory MOC/LOC Imbalance Publication must be published as soon as practicable after 3:45 p.m.

(ii) If an Informational Imbalance Publication is published between 3:00 p.m. and 3:45 p.m., and the requirements for the publication of a Mandatory MOC/LOC Imbalance Publication do not exist at 3:45 p.m., a notice indicating that there is "no imbalance" must be published on the Consolidated Tape as soon as practicable after 3:45 p.m.

(c) When a trading halt in a security is in effect at 3:45 p.m. but is lifted prior to the close of trading in the security, a Mandatory MOC/LOC Imbalance Publication should be published as close to the resumption of trading as practicable.

**(6) Publication of Order Imbalance Information Data Feed**

(a) Exchange systems may also make available, from time to time, as the Exchange shall determine, Order Imbalance Information prior to the closing of a security on the Exchange.

- (i) Order Imbalance Information disseminated prior to the closing transaction is the data feed disseminated by the Exchange of real-time order imbalances that accumulate prior to the closing transaction on the Exchange which includes:
  - (A) the Mandatory MOC/LOC Imbalance Publication;
  - (B) a data field indicating the price at which closing-only interest (i.e., MOC orders, marketable LOC orders, and CO orders opposite the imbalance) may be executed in full;
  - (C) a data field indicating the price at which interest in the Display Book (e.g., Minimum Display Reserve Orders, Floor broker reserve e-Quotes not designated to be excluded from the aggregated agency interest information available to the DMM, d-Quotes and pegged e-Quotes at the price indicated on the order as the base price to be used to calculate the range of discretion) as well as all closing-only inter orders (MOC, marketable LOC, and CO orders opposite the imbalance) may be executed in full; and
  - (D) if the price at which all closing-only interest in the Display Book is at or between the quote, then data fields pursuant to subparagraphs (6)(a)(i)(B) and (C) above indicating imbalance information will publish the price at which the closing-only interest (MOC orders, marketable LOC orders, and CO orders) may be executed in full.
- (ii) In addition, commencing at 3:55 p.m., the Order Imbalance Information disseminated by the Exchange data feed also includes d-Quotes and all other e-Quotes containing pegging instructions eligible to participate in the closing transaction.
- (iii) Such Order Imbalance Information will use a reference price to indicate the number of shares that would be needed in the security to close with an equal number of shares on the buy side and the sell side of the market. The Exchange will determine the reference price as follows:
  - (A) If the best bid for the security on the Exchange is higher than the last sale price for the security, that best bid will serve as the reference price.
  - (B) If the best offer for the security on the Exchange is lower than the last sale price for the security, that best offer will serve as the reference price.
  - (C) If the last sale price falls within the Exchange's best bid and offer for the security, the last sale price will serve as the reference price.
- (iv) Order Imbalance Information disseminated prior to the close by Exchange systems will be disseminated approximately every five seconds between 3:45 p.m. and 4:00 p.m.

(v) On any day that the scheduled close of trading on the Exchange is earlier than 4:00 p.m., the dissemination of Order Imbalance Information prior to the closing transaction will commence approximately 15 minutes before the scheduled closing time. Order Imbalance Information will be disseminated approximately every five seconds until the scheduled closing time.

(vi) The Mandatory MOC/LOC Imbalance Publication pursuant to paragraph (5)(a) of this Rule above shall be the sole indication that governs the entry of offsetting interest.

(b) Exchange systems shall disseminate between 2:00 p.m. and 3:45 p.m. on any trading day (or beginning two hours prior to the closing transaction until 15 minutes prior to the closing transaction on any day that the scheduled close of trading on the Exchange is earlier than 4:00 p.m.), approximately every 15 seconds, to Floor brokers a data feed that provides the amount of, and any imbalance between, MOC interest and marketable LOC interest to buy and MOC interest and marketable LOC interest to sell, offset by any CO interest available at the reference price or better on the opposite side of the imbalance, in any security in which the Floor broker is representing an order and in any security that the Floor broker specifically requests, except that specific requests for such information do not carry over to the next trading day and must be re-entered.

## **(7) Order of Execution on the Close**

(a) The following orders must be executed in whole or in part in the closing transaction in the order delineated below:

- (i) MOC orders that do not have tick restrictions;
- (ii) MOC orders that have tick restrictions that limit the execution of the MOC to a price better than the price of the closing transaction;
- (iii) Floor broker interest entered manually by the DMM;
- (iv) Limit orders better priced than the closing price;
- (v) LOC orders that do not have tick restrictions better priced than the closing transaction;
- (vi) LOC orders better priced than the closing transaction that have tick restrictions that are capable of being executed based on the closing price; and
- (vii) G orders better priced than the closing price.

(b) The following interest may be used to offset a closing imbalance in order delineated below:

- (i) Limit orders represented in the Display Book with a price equal to the closing price and DMM interest;
- (ii) LOC orders with a price equal to the closing price;
- (iii) MOC orders that have tick restrictions that limit the execution of the MOC to the price of the closing transaction;
- (iv) LOC orders that have tick restrictions that are capable of being executed based on the closing price and the price of such limit order is equal to the price of the closing transaction;
- (v) CO Orders; and
- (vi) G orders with a price equal to the closing price.

## **(8) Closing Transactions**

- (a) Closing transactions where there is an order imbalance.
  - (i) Where there is an imbalance of shares to buy over shares to sell in MOC and/or marketable LOC orders, or vice versa, the imbalance shall, at the close of trading, be executed against orders on the Display Book and/or represented in the Crowd that are opposite to the imbalance.
    - (A) Market orders and limit orders better priced than the closing price trading against the imbalance amount are guaranteed to participate in the closing transaction.
    - (B) Limit orders trading against the imbalance amount are not guaranteed an execution in the closing transaction if the price of such limit order is the same as the closing price, but may be included in full or in part at the discretion of the DMM, based on market conditions and the availability of offsetting interest.
  - (ii) The remaining MOC/LOC buy and MOC/LOC sell orders are paired off against each other at the same price as the imbalance price.
  - (iii) The imbalance and the paired off transaction shall be reported to the Consolidated Tape as a single transaction.
- (b) Closing transactions where there is no order imbalance. Where the aggregate size of buy MOC and marketable LOC orders in a security equals the aggregate size of sell MOC orders and marketable LOC orders, they shall be stopped against each other and paired off at the price of the last sale on the Exchange just prior to the close of trading in that security on that day.



**(9) Extreme Order Imbalances at or Near the Close**

- (a) To avoid closing price dislocation that may result from an order entered into Exchange systems or represented to a DMM orally at or near the close, the Exchange may temporarily suspend the following:
  - (1) The hours of operation to permit the solicitation and entry of orders into Exchange systems (Rule 52 - Equities), provided that:
    - (i) Such orders are solicited solely to offset any imbalance in a security that may exist as of 4:00 p.m.;
    - (ii) The Exchange solicits such offsetting interest from both on-Floor and off-Floor participants. Such solicitation requests shall include, at a minimum, the security symbol, the imbalance amount and side, the last sale price, and an order acceptance cut-off time. The order acceptance cut-off time will be a time period designated by the Exchange.;
    - (iii) Any interest entered in response to such solicitations must be: (A) entered no later than the order acceptance cut-off time indicated in the solicitation request; (B) offsetting interest as indicated in the solicitation request; (C) a limit order priced no worse than the last sale; and (D) irrevocable;
    - (iv) The DMM will close the security the earlier of the order acceptance cut-off time or if the imbalance is paired off at or reasonably contiguous to the last sale price. For purposes of this Rule, a price reasonably contiguous to the last sale price is within cents of the last sale price and would be a price point that during a regular closing auction would not be considered a dislocating closing price as compared to the last sale price. All offsetting interest solicited pursuant to this section of the Rule will trade on parity; and
    - (v) A Floor broker may represent offsetting interest pursuant to this rule without first entering the details of the order into a designated Exchange database, as required by Rule 123 - Equities, so long as such orders are entered into a designated Exchange database on an "as of" basis immediately following execution of the order.
  - (2) The prohibition on canceling or reducing an MOC or LOC order after 3:58 p.m. Rule 123C(3) - Equities, provided that:
    - (i) The cancellation or reduction is necessary to correct a legitimate error; and
    - (ii) Execution of such an MOC or LOC order would cause significant price dislocation at the close.

(b) Only the DMM assigned to a particular security may request a temporary suspension under section (9)(a) of this Rule. A determination to declare such a temporary suspension may be made after 4 p.m. (or earlier, in the case of an earlier scheduled close) and will be made on a security-by-security basis. Such determination, as well as any entry or cancellation of orders or closing of a security under section (9)(a) of this Rule, must be supervised and approved by either an Executive Floor Governor or a qualified ICE employee, as defined under Rule 46(b)(v) - Equities, and supervised by a qualified Exchange Officer, as defined in Rule 48(d) - Equities. Factors that may be considered when making such a determination include, but are not limited to, when the order(s) that impacted the imbalance were entered into Exchange systems or orally represented to the DMM, the impact of such order(s) on the closing price of the security, the volatility of the security during the trading session, and the ability of the DMM to commit capital to dampen the price dislocation.

(c) A temporary suspension under section (9)(a) of this Rule is in effect only for the particular security for which such suspension has been granted and for that trading day.

• • • ***Supplementary Material:***

**.10** Closings may be effectuated manually or electronically (see Rule 104(b) - Equities). Exchange systems will not permit a DMM to close a security electronically if a DMM has manually-entered Floor interest.

If a DMM cannot facilitate the close of trading for one or more securities for which the DMM is registered as required by Exchange rules, the Exchange will close those securities electronically. Manually-entered Floor interest will not participate in any closing effectuated electronically by the Exchange and if previously entered, will be ignored. If the Exchange closes a security, the closing price will be within a specified percentage ("Closing Numerical Guideline"), as set forth below, greater than or less than the last sale price on the Exchange ("Reference Price"):

<b>Reference Price</b>	<b>Closing Numerical Guideline (Closing Price % Difference from the Reference Price)</b>
Greater than \$0.00 up to and including \$25.00	10%
Greater than \$25.00 up to and including \$50.00	5%

Greater than \$50.00

3%

If the Exchange closes a security,

- (a) It will consider all interest to be eligible to trade in the close consistent with Rule 123C(7) - Equities and 123C(8)(a) - Equities, except that interest specified in Rule 123C(7)(a) - Equities will not participate in the closing trade if such interest would cause a closing price to be outside the Closing Numerical Guidelines; and
- (b) The provisions of Rules 123C(9)(a)(1) - Equities and 123C(9)(b) - Equities will be suspended and only the Exchange may request a temporary suspension under Rule 123C(9)(a)(2) - Equities.

**.20** For purposes of Rule 123C(7)(b) - Equities, short sale orders for a covered security during a period when a Short Sale Price Test (as provided for in Rule 440B - Equities) is in effect, shall be treated as orders that have tick restrictions. The term "covered security" shall have the same meaning as such term has in Rule 201 of Regulation SHO.

**.30** During a Short Sale Period (as provided for in Rule 440B(d) - Equities), Sell Short MOC and LOC orders will not be included in the Sell side closing volume, as currently provided for in Rule 123C(4)(a)(iv) - Equities. During a Short Sale Period, in addition to the interest specified in Rule 123C(4)(a)(vi)(A) - Equities, all Sell Short MOC and LOC interest priced equal to or below the last sale price will be included to offset the Buy Imbalance.

**.40** If not otherwise specified, when the scheduled close of trading is before 4:00 p.m., the times specified in this Rule 123C shall be adjusted based on the early scheduled closing time and references to 4:00 p.m. shall mean the early scheduled close, 3:00 p.m. shall mean one hour before the early scheduled close, 3:45 p.m. shall mean 15 minutes before the early scheduled close, 3:55 p.m. shall mean five minutes before the early scheduled close, and 3:58 p.m. shall mean two minutes before the early scheduled close.

### **Rule 123D - Equities. Openings and Halts in Trading**

*This Rule is not applicable to trading on the Pillar trading platform.*

**(a) Openings:** Unless otherwise specified, references to an open or opening in paragraph (a) of this Rule also mean a reopening following a trading halt or pause in a security.

(1) It is the responsibility of each DMM to ensure that registered securities open as close to the opening bell as possible, and at the end of the halt or pause, while at the same time not unduly hasty, particularly when at a price disparity from the prior close (for openings) or last price on the Exchange (for reopenings).

- (A) DMMs may open a registered security on a trade or on a quote. A DMM may open a registered security on a quote when there is no opening trade.
- (B) Openings may be effectuated manually or electronically (see Rule 104(b)(ii) - Equities). Exchange systems will not permit a DMM to open a security electronically if a DMM has manually entered Floor interest.
- (i) Except under the conditions set forth in paragraphs (a)(1)(B)(ii) and (iii) of this Rule, a DMM may not effect an opening electronically if:
- (a) the opening (but not reopening) transaction will be at a price more than 4% away from the Official Closing Price, as defined in Rule 123C(1)(e) - Equities,
  - (b) the reopening transaction will be at a price more than 4% away from the last sale price on the Exchange, or
  - (c) the matched volume for the opening transaction will be more than:
    - (1) 150,000 shares for securities with an average opening volume of 100,000 shares or fewer in the previous calendar quarter; or
    - (2) 500,000 shares for securities with an average opening volume of over 100,000 shares in the previous calendar quarter.
- (ii) If as of 9:00 a.m. Eastern Time, the E-mini S&P 500 Futures are +/- 2% from the prior day's closing price of the E-mini S&P 500 Futures, or if the Exchange determines that it is necessary or appropriate for the maintenance of a fair and orderly market, a DMM may effect an opening electronically if the opening transaction will be at a price of up to 8% away from the Official Closing Price, as defined in Rule 123C(1)(e) - Equities, (for openings, but not reopenings) or the last sale price on the Exchange (for reopenings), without any volume limitations.
- (iii) When reopening a security following a trading pause under Rule 80C - Equities or a market-wide halt under Rule 80B - Equities, if a preopening indication has been published in a security under Rule 15 - Equities, a DMM may not reopen such security electronically if the reopening transaction will be at a price outside of the last-published preopening indication.
- (2) If a DMM cannot facilitate the open of trading for one or more securities for which the DMM is registered as required by Exchange rules, the Exchange will open those securities electronically on a trade or a quote as provided for in paragraphs (a)(3) - (a)(6) of this Rule. Manually-entered Floor interest will not participate in any opening effectuated electronically by the Exchange and if previously entered, will be ignored.
- (3) **Opening on a Trade:** The Exchange will open a security on a trade if there is buy and sell interest that can trade a round lot or more at a price that is no greater than or no

less than a specified range ("Opening Price Range") away from the last sale price on the Exchange ("Reference Price"). The Exchange will determine the Opening Price Range and the Reference Price parameters from time to time and will provide advance notice to market participants.

- (A) If all interest guaranteed to participate in an opening trade under Rule 115A(a) - Equities can trade at a price consistent with the Opening Price Range, the opening trade will be at the price at which all such interest can trade.
- (B) If there are only Market Orders on both sides of the market, the opening price will be the Reference Price.
- (C) If interest that is otherwise guaranteed to participate in an opening trade under Rule 115A(a) - Equities would cause an opening price to be outside the Opening Price Range, such interest is not guaranteed to participate in the opening trade. In such case, the opening trade will be at the price at which the maximum volume of shares is tradable that is closest to the Reference Price and orders will be allocated in the following priority:
  - (i) Market and MOO Orders will trade first in time priority, provided that, during a Short Sale Period, sell short Market Orders and MOO Orders will be adjusted to a Permitted Price and will be considered Limit Orders for purposes of determining allocation priority.
  - (ii) Limit Orders (including Reserve Orders) to buy (sell) and e-Quotes (including Reserve e-Quotes) to buy (sell) priced higher (lower) than the opening price will trade second on parity by agent under Rule 72(c) - Equities.
  - (iii) G-quotes to buy (sell) priced higher (lower) than the opening price will trade third on parity by agent under Rule 72(c) - Equities.
  - (iv) All other limit interest that is priced equal to the opening price will trade last and be allocated consistent with Rule 115A(a)(1) - Equities.
- (4) **Opening on a Quote:** The Exchange will open a security on a quote under the following circumstances:
  - (A) If interest of less than a round lot pairs off at a price within the Opening Price Range. After opening on a quote, such interest will trade at the price closest to the Reference Price (or at the Reference Price if the only interest is Market Orders), but will not be reported as an opening trade.
  - (B) If interest of any size pairs off at a price below (above) the lower (upper) boundary of the Opening Price Range. Such paired-off interest will not trade.

(C) If there is no interest that can be quoted on either or both sides of the market. An opening quote that has a zero bid and/or a zero offer is not an "Opening Price" for purposes of the Regulation NMS Plan to Address Extraordinary Market Volatility (See Rule 80C - Equities).

(5) **Pre-Opening Information:** When the Exchange facilitates the opening of a security, it will publish Order Imbalance Information pursuant to Rule 15(g) - Equities, but will not issue pre-opening indications pursuant to Rule 15(a) - Equities, provided that the Exchange will publish indications pursuant to Rule 15(a) - Equities for a re-opening following a regulatory halt.

(6) **Cancellation of Orders:** The Exchange will cancel orders after opening on a trade or quote as follows:

(A) All unexecuted Market Orders, MOO Orders, and LOO Orders will be cancelled.

(B) After an opening on a trade, buy (sell) Limit Orders priced higher (lower) than the opening price will be cancelled.

(C) If interest would have paired off at a price below (above) the lower (upper) boundary of the Opening Price Range, after opening on a quote, sell (buy) Limit Orders will be cancelled.

**(b) Delayed Openings.** Openings and reopenings should be timely, as well as fair and orderly, reflecting a professional assessment of market conditions at the time, and appropriate consideration of the balance of supply and demand as reflected by orders represented in the market. DMMs should, to the best of their ability, provide timely and impartial information at all phases of the opening process. DMMs should ensure adequate personnel are assigned and call upon additional clerical and relief DMM resources to assist in order management and Crowd communication, when appropriate. It is also incumbent upon DMMs to seek the advice of Floor Officials when openings are delayed or when a halt in trading may be appropriate due to unusual market conditions.

Brokers should recognize the difficulty in providing accurate information in a constantly changing situation, and that significant changes are often occasioned by single orders or substantial interests delivered via Exchange systems. Brokers should make every effort to ascertain the client's interest as early as possible and to inform the DMM so that such interest can be factored into the opening process. Brokers should communicate to clients the problems caused by delaying their interest until the last minute. Brokers should expect to have time to communicate the essential facts to their clients and to react to the changing picture. They should not expect, however, to be able to delay the opening for every last fragment of this change, and should recognize their obligation to a timely opening. Once a relatively narrow range of opening possibilities is given, the broker and his or her client should have sufficient information to enter a final order. In this regard, brokers should advise their clients against limits which are not firm, or are based solely on where the opening looked at the time the information was given. Brokers should not

expect to be given endless opportunities to adjust those limits. Whenever possible the broker should have discretion within a range of the client's interest, and have the power to react to last minute changes without having to go back to the phone. This is particularly true for orders in amounts that represent a small fraction of the total opening volume, but applies to all orders. Brokers must recognize that orders or cancellations merely dropped on the counter can be lost or misplaced, and should hand the order directly to the DMM or his or her assistant and orally state the terms. Failure to do so could result in a monetary error to the broker as well as the DMM

Floor Officials participate in the regulatory process by providing an impartial professional assessment of unusual situations, as well as advice with respect to pricing when a significant disparity in supply and demand exists. The DMM, however, has ultimate responsibility in this regard, and while a Floor Official's approval may be a mitigating factor, it will not exonerate a DMM when performance has been deemed not satisfactory.

A DMM should consider the following areas of DMM performance when involved in an unusual market situation:

- an opening price change that is not in proportion to the size of an imbalance;
- absence of an indication before a large opening price change;
- inadequate support after a large opening price change, i.e., lack of sufficient continuity and depth in the aftermarket;
- absence of trading without good cause or Floor Official approval (or an unjustified or unreasonably delayed opening or halt in trading);
- not obtaining appropriate Floor Official approvals for opening delays, trading halts, and wide price variations.

In addition, a Floor Official should be consulted as soon as it becomes apparent that an unusual situation exists, and a Floor Governor should be consulted if it is anticipated that the opening price may be at a significant disparity from the prior close.

Floor Governors should keep apprised of developments when consulted, and should seek the assistance of Executive Floor Governors, when appropriate, as soon as possible.

Floor Governors should be prepared to balance the opportunity for brokers to participate in the opening with the need for timeliness, and should assist in identifying opportunities for opening the security, based upon the shifting supply and demand in conjunction with appropriate DMM participation.

DMMs should make every effort to balance timeliness with the opportunity for customer reaction and participation. Although the correct price based on information available at

the time is always the goal, DMMs and supervising Floor Governors should recognize customers' desires for a timely opening. When the DMM and Floor Governor agree that all participants have had a reasonable opportunity to participate, the DMM should open the stock.

**(c) Temporary Suspension of DMM Automated Opening Limitations or Floor Official Approval.**

(1) If the CEO of the Exchange determines that a Floor-wide event is likely to have an impact on the ability of DMMs to arrange for a fair and orderly opening or reopening following a market-wide trading halt at the Exchange and that, absent relief, the operation of the Exchange is likely to be impaired, the CEO of the Exchange may temporarily suspend:

(A) the prohibition on a DMM opening a security electronically if the opening transaction will be more than the price or volume parameters specified in paragraph (a)(1)(B) of this Rule; or

(B) the need under paragraph (b) of this Rule, for prior Floor Official approval to open or reopen a security following a market-wide trading halt.

(2) In determining whether to temporarily suspend the specified paragraphs of Rule 123D - Equities, the CEO of the Exchange will:

(A) consider the facts and circumstances that are likely to have Floor-wide impact for a particular trading session, including volatility in the previous day's trading session, trading in foreign markets before the open, substantial activity in the futures market before the open, the volume of pre-opening indications of interest, evidence of pre-opening significant order imbalances across the market, government announcements, news and corporate events, and such other market conditions that could impact Floor-wide trading conditions;

(B) notify the Chief Regulatory Officer of the Exchange; and

(C) inform the Securities and Exchange Commission staff as promptly as practicable of the temporary suspension.

(3) A temporary suspension under this Rule will be in effect for the trading day on which it was declared only.

**(d) Equipment Changeover.**—The Exchange has established a non-regulatory trading halt condition designated as 'Equipment Changeover'.

This condition may be used when trading in a particular security is temporarily inhibited due to a systems, equipment or communications facility problem or for other technical reasons.



In making a determination on whether to halt trading in a security because of an "Equipment Changeover" condition, it is important to keep in mind that once halted, trading cannot be resumed for at least one minute even though, in many cases, the systems or equipment problem may be corrected in a much shorter period of time. Further, if, during the "Equipment Changeover" trading halt, a pre-opening indication would be required to be published or a regulatory condition occurs, the nature of the halt will be changed, notice must be disseminated and trading cannot resume until three minutes after the first indication after the new halt condition. This factor should be taken into consideration along with market condition factors in making a determination on whether to declare an official trading halt.

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**[Rule 123G - Equities. Reserved**

Reserved.

**Rule 124 - Equities. Reserved**

Reserved.]

**Rule 126 - Equities. Odd-Lot Dealers General**

*This Rule is not applicable to trading on the Pillar trading platform.*

**Income and expense report**

Each registered odd-lot dealer shall file an income and expense report and additional information in the type, form, manner and time prescribed by the Exchange.

**Rule 127 - Equities. Block Crosses Outside the Prevailing Exchange Quotation**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) A member organization that receives an order or orders for the purchase or sale of a block of stock, that may not readily be absorbed by the market, should explore in depth the market on the Floor. Unless professional judgment dictates otherwise, this should include checking with the DMM to ascertain the extent of the DMM's interest in participating at an indicated price or prices. The DMM should maintain the same depth and normal variations between sales as he or she would had he or she not learned of the block.

(b) A member organization that has a block of stock it intends to cross on the Floor at a specific clean-up price outside the current quotation may, when ready to effect the cross, proceed in the manner described below.

(i) The member organization should inform the DMM of its intention to cross a block at a specific price. There should not be any intervening trades other than transactions required to effect the block cross as required herein by the member organization representing the block order between the time it informs the DMM of its intention and the trade or trades to clean-up the block.

(ii) In order to effect a block cross at a clean-up price outside the current quotation pursuant to this paragraph (b), the member organization must: (a) trade with the Exchange best bid (offer), including all reserve interest at that price; (b) trade with all orders in the Display Book® system limited to prices better than the block clean-up price, including Floor Brokers' e-Quotes at a price that is the minimum variation (typically, one cent) better than the block clean-up price, and (c) crossing the block orders at the specified clean-up price. The block shall be entitled to priority at the clean-up price.

**(c) Member Organization Positioning.**

This paragraph shall apply to block transactions in which all or a part of one side of the block is for a member or member organization's own account.

(1) **Establishing or increasing a position.** If all or any portion of the block will establish or increase the member organization's position, the member organization representing the block orders must: (a) trade with the Exchange best bid (offer), including all reserve interest at that price and (b) crossing the block orders at the specified clean-up price. The member organization must fill at the clean-up price orders limited to the clean-up price or better before any amount may be retained for the member organization's account.

(2) **Liquidating position.** A member organization which is covering a short position or liquidating a long position must: (a) trade with the Exchange best bid (offer), including all reserve interest at that price; (b) trade with all orders in the Display Book® system limited to prices better than the block clean-up price, including Floor Brokers' e-Quotes at a price that is the minimum variation (typically, one cent) better than the block clean-up price, and (c) crossing the block orders at the specified clean-up price. The member organization is not required to fill at the clean-up price orders limited to the clean-up price.

**(d) Reasonable Needs of the DMM**

(1) After exploring the market and consulting with the DMM, the member organization should be prepared to fill the needs of the DMM in accordance with that conversation. The DMM cannot increase the amount which he or she initially indicated unless the member organization agrees or the market has changed substantially.

(2) If the member organization does not consult with the DMM, the member organization should make a professional estimate of the probable needs of the DMM and reserve an appropriate amount to fill such needs.

(3) If the DMM and the member organization representing the block orders disagree as to the extent of the needs of the DMM, they should consult with a Floor Official. As appropriate, it may be necessary for the DMM to trade with the offer side of the cross to ensure that his or her reasonable needs in maintaining an aftermarket are satisfied.

(e) The requirements of Rule 76 - Equities will not apply to executions made in accordance with this rule.

• • • **Supplementary Material:**

**.10 Definition of a Block.**—For the purposes of this Rule, a block shall be at least 10,000 shares or a quantity of stock having a market value of \$200,000 or more, whichever is less, which is acquired by a member organization on its own behalf and/or for others from one or more buyers or sellers in a single transaction.

**Publications of Transactions and Changes (Rules 128 - Equities—129 - Equities)**

**Rule 128 - Equities. Clearly Erroneous Executions For Equities**

*This Rule is not applicable to trading on the Pillar trading platform.*

The provisions of paragraphs (c), (e)(2), (f), and (g) of this Rule, as amended on September 10, 2010, and the provisions of paragraphs (i) through (k), shall be in effect during a pilot period to coincide with the pilot period for the Limit Up-Limit Down Plan, including any extensions to the pilot period for the Plan. If the Plan is not either extended or approved as permanent, the prior versions of sections (c), (e)(2), (f), and (g) shall be in effect, and the provisions of paragraphs (i) through (k) shall be null and void.

**(a) Definition.** For purposes of this Rule, the terms of a transaction executed on the Exchange are "clearly erroneous" when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security. A transaction that is clearly erroneous and cancelled by both parties or determined by the Exchange to be clearly erroneous will be removed from the Consolidated Tape.

**(b) Request and Timing of Review.** A member or member organization of the Exchange that receives an execution on an order that was submitted erroneously to the Exchange for its own or customer account may request that the Exchange review the transaction under this Rule. An Officer of the Exchange or such other senior level employee designee of the Exchange ("Officer") shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Such request for review shall be made in writing via e-mail or other electronic means specified

from time to time by the Exchange in a circular distributed to members or member organizations or in person on the Floor of the Exchange.

- (i) *Requests for Review.* Requests for review must be received within thirty (30) minutes of execution time and shall include information concerning the time of the transaction(s), security symbol(s), number of shares, price(s), side (bought or sold), and factual basis for believing that the trade is clearly erroneous. Upon receipt of a timely filed request that satisfies the numerical guidelines set forth in Section (c)(1) of this Rule, the counterparty to the trade shall be notified by the Exchange as soon as practicable, but generally within thirty (30) minutes. An Officer may request additional supporting written information to aid in the resolution of the matter. If requested, each party to the transaction shall provide, within thirty (30) minutes of the request, any supporting written information. Each party to the disputed trade may request the supporting written information provided by the other party on the matter.
- (ii) *Routed Executions.* Other market centers will generally have an additional thirty (30) minutes from receipt of their participant's timely filing, but no longer than sixty (60) minutes from the time of the execution at issue, to file with the Exchange for review of transactions routed to the Exchange from that market center and executed on the Exchange.

**(c) Thresholds.** Determinations of a clearly erroneous execution will be made as follows:

- (1) *Numerical Guidelines.* Subject to the provisions of paragraph (c)(3) below, a transaction executed during the regular trading hours of the Exchange and after hours of the Exchange shall be found to be clearly erroneous if the price of the transaction to buy (sell) that is the subject of the complaint is greater than (less than) the Reference Price by an amount that equals or exceeds the Numerical Guidelines set forth below. The execution time of the transaction under review determines whether the Numerical Guideline applied is the Regular Trading Hours or the After Hours of the Exchange. The Reference Price will be equal to the consolidated last sale immediately prior to the execution(s) under review except for: (A) Multi-Stock Events involving twenty or more securities, as described in (c)(2) below; and (B) in other circumstances, such as, for example, relevant news impacting a security or securities, periods of extreme market volatility, sustained illiquidity, or widespread system issues, where use of a different Reference Price is necessary for the maintenance of a fair and orderly market and the protection of investors and the public interest.

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Reference Price, Circumstance or Product	Regular Trading Hours of the Exchange Numerical Guidelines (Subject transaction's	After Hours of the Exchange Numerical Guidelines (Subject transaction's %
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	<b>% difference from the Reference Price):</b>	<b>difference from the Reference Price):</b>
Greater than \$0.00 up to 10% and including \$25.00		20%
Greater than \$25.00 up 5% to and including \$50.00		10%
Greater than \$50.00 3%		6%
Multi-Stock Event - 10% Filings involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less		10%
Multi-Stock Event - 30%, subject to the terms Filings involving twenty of paragraph (c)(2) or more securities below whose executions occurred within a period of five minutes or less		30%, subject to the terms of paragraph (c)(2) below
Leveraged ETF/ETN securities	Regular Trading Hours of the Exchange Numerical Guidelines multiplied by the leverage multiplier (ie. 2x)	Regular Trading Hours of the Exchange Numerical Guidelines multiplied by the leverage multiplier (ie. 2x)

(2) *Multi-Stock Events Involving Twenty or More Securities.* During Multi-Stock Events involving twenty or more securities the number of affected transactions may be such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest. In such circumstances, the Exchange may use a Reference Price other than consolidated last sale. To ensure consistent application across market centers when this paragraph is invoked, the Exchange will promptly coordinate with the other market centers to determine the appropriate

review period, which may be greater than the period of five minutes or less that triggered application of this paragraph, as well as select one or more specific points in time prior to the transactions in question and use transaction prices at or immediately prior to the one or more specific points in time selected as the Reference Price. The Exchange will nullify as clearly erroneous all transactions that are at prices equal to or greater than 30% away from the Reference Price in each affected security during the review period selected by the Exchange and other markets consistent with this paragraph.

(3) *Additional Factors*. Except in the context of a Multi-Stock Event involving five or more securities, an Officer may also consider additional factors to determine whether an execution is clearly erroneous, including but not limited to, system malfunctions or disruptions, volume and volatility for the security, derivative securities products that correspond to greater than 100% in the direction of a tracking index, news released for the security, whether trading in the security was recently halted/resumed, whether the security is an IPO, whether the security was subject to a stock-split, reorganization, or other corporate action, overall market conditions, Opening and Late Session executions, validity of the consolidated tapes trades and quotes, consideration of primary market indications, Depth Guidelines and executions inconsistent with the trading pattern in the stock. Each additional factor shall be considered with a view toward maintaining a fair and orderly market and the protection of investors and the public interest.

**(d) Outlier Transactions.** In the case of an Outlier Transaction, an Officer may at its sole discretion, and on a case-by-case basis, consider requests received pursuant to subsection (b) of this Rule after thirty (30) minutes, but not longer than sixty (60) minutes after the transaction in question, depending on the facts and circumstances surrounding such request.

(1) "Outlier Transaction" means a transaction where:

- (A) the execution price of the security is greater than three times (3x) the current Numerical Guidelines set forth in Paragraph (c)(1) of this Section, or
- (B) the execution price of the security in question is not within the Outlier Transaction parameters set forth in Paragraph (d)(1)(A) of the Section but breaches the 52-week high or 52-week low, the Exchange may consider Additional Factors as outlined in Paragraph (c)(3) above, in determining if the transaction qualifies for further review or if the Exchange shall decline to act.

**(e) Review Procedures.**

**(1) Determination by Officer.** Unless all parties to the disputed transaction agree to withdraw the initial request for review, the transaction under dispute shall be reviewed, and a determination shall be rendered by the Officer. If the Officer determines that the transaction is not clearly erroneous, the Officer shall decline to take any action in

connection with the completed trade. In the event that the Officer determines that the transaction in dispute is clearly erroneous, the Officer shall either (i) declare the transaction(s) null and void or (ii) if such transaction(s) occurred only on the Exchange and no contemporaneous transactions occurred on other market centers at a price that meets or exceeds the applicable Numerical Guidelines and if the Exchange has no actual knowledge of a clearly erroneous execution review of a contemporaneous transaction of the subject security on another market center, modify one or more of the terms of the transaction to achieve an equitable rectification of the error that would place the parties in the same position, or as close as possible to the same position that they would have been in, had the error not occurred. A determination shall be made generally within thirty (30) minutes of receipt of the complaint, but in no case later than the open of the Regular Trading Hours of the Exchange on the following trading day. The parties shall be promptly notified of the determination.

**(2) Appeals.** If a member or member organization affected by a determination made under this Rule so requests within the time permitted below, the Clearly Erroneous Execution Panel ("CEE Panel") will review decisions made by the Officer under this Rule, including whether a clearly erroneous execution occurred and whether the correct adjustment was made; provided however that the CEE Panel will not review decisions made by an Officer under subsection (f) of this Rule if such Officer also determines under subsection (f) of this Rule that the number of the affected transactions is such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest, and further provided that with respect to rulings made in conjunction with one or more additional market centers, the number of the affected transactions is similarly such that immediate finality is necessary to maintain a fair and orderly market and to protect investors and the public interest and, hence, are also non-appealable.

**(A)** The CEE Panel will consist of the Exchange's Chief Regulatory Officer ("CRO"), or a designee of the CRO, and representatives from two (2) member or member organizations of the Exchange.

**(B)** The Exchange shall designate at least ten (10) member or member organization representatives to be called upon to serve on the CEE Panel as needed. In no case shall a CEE Panel include a person affiliated with a party to the trade in question. To the extent reasonably possible, the Exchange shall call upon the designated representatives to participate on a CEE Panel on an equally frequent basis.

**(3)** A request for review on appeal must be made via e-mail within thirty (30) minutes after the party making the appeal is given notification of the initial determination being appealed, except that an Exchange member who trades on the Floor of the Exchange may submit a request for appeal of an initial determination in person on the Floor of the Exchange. The CEE Panel shall review the facts and render a decision as soon as practicable, but generally on the same trading day as the execution(s) under review. On requests for appeal received between 3:00 ET and the close of after hours trading, a

decision will be rendered as soon as practicable, but in no case later than the trading day following the date of the execution under review.

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

(5) If the CEE Panel votes to uphold the decision made pursuant to Rule 128(e)(1) - Equities, the Exchange will assess a \$500.00 fee against the Exchange member(s) or member organization(s) who initiated the request for appeal.

(6) Any determination by an Officer or by the CEE Panel shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

**(f) System Disruption or Malfunctions.** In the event of any disruption or a malfunction in the operation of any electronic communications and trading facilities of the Exchange in which the nullification or modification of transactions may be necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest exist, the Officer, on his or her own motion, may review such transactions and declare such transactions arising out of the operation of such facilities during such period either: (i) null and void or, (ii) ) if such transaction(s) occurred only on the Exchange and no contemporaneous transactions occurred on other market centers at a price that meets or exceeds the applicable Numerical Guidelines and if the Exchange has no actual knowledge of a clearly erroneous execution review of a contemporaneous transaction of the subject security on another market center, modify one or more of the terms of the transaction to achieve an equitable rectification of the error that would place the parties in the same position, or as close as possible to the same position that they would have been in, had the error not occurred. In all such events, the Officer will rely on the provisions of Section (c)(1)-(3) of this Rule, but in extraordinary circumstances may also use a lower Numerical Guideline if necessary to maintain a fair and orderly market, protect investors and the public interest. Absent extraordinary circumstances, any such action of the Officer pursuant to this subsection (f) shall be taken within thirty (30) minutes of detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer must be taken by no later than the start of the regular trading hours of the Exchange the day following the date of execution(s) under review. Each Exchange member or member organization involved in the transaction shall be notified as soon as practicable, and the member or member organization aggrieved by the action may appeal such action in accordance with the provisions of subsection (e)(2)-(4).

**(g) Officer Acting On Own Motion.** An Officer acting on its own motion, may review potentially erroneous executions that occur on the Exchange and may decline to take any action in connection with the completed transaction(s) or shall either: (i) declare such transaction(s) null and void or, (ii) if such transaction(s) occurred only on the Exchange and no contemporaneous transactions occurred on other market centers at a price that meets or exceeds the applicable Numerical Guidelines and if the Exchange has no actual



knowledge of a clearly erroneous execution review of a contemporaneous transaction of the subject security on another market center, modify one or more of the terms of the transaction to achieve an equitable rectification of the error that would place the parties in the same position, or as close as possible to the same position that they would have been in, had the error not occurred. In all such events, the Officer will rely on the provisions of Sections (c)(1)-(3) of this Rule. Absent extraordinary circumstances, any such action of the Officer shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer must be taken by no later than the start of the Regular Trading Hours of the Exchange on the trading day following the date of execution(s) under review. When such action is taken independently, each party involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of subsection (e)(2)-(4) above.

**(h) Trade Nullification and Price Adjustments for UTP Securities that are Subject of Initial Public Offerings ("IPOs").** Pursuant to SEC Rule 12f-2, as amended, the Exchange may extend unlisted trading privileges to a security that is the subject of an initial public offering when at least one transaction in the subject security has been effected on the national securities exchange or association upon which the security is listed and the transaction has been reported pursuant to an effective transaction reporting plan. A clearly erroneous execution may be deemed to have occurred in the opening transaction of the subject security if the execution price of the opening transaction on the Exchange is the lesser of \$1.00 or 10% away from the opening price on the listing exchange or association. In such circumstances, the Officer shall decline to take action in connection with the completed transaction(s), declare the opening transaction null or if such transaction(s) occurred only on the Exchange and no contemporaneous transactions occurred on other market centers at a price that meets or exceeds the applicable Numerical Guidelines and if the Exchange has no actual knowledge of a clearly erroneous execution review of a contemporaneous transaction of the subject security on another market center, adjust the transaction price to the opening price on the listing exchange or association. Clearly erroneous executions of subsequent transactions of the subject security will be reviewed in the same manner as the procedure set forth in (e)(1). Absent extraordinary circumstances, any such action of the Officer pursuant to this subsection (h) shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer must be taken by no later than the start of the regular trading hours of the Exchange on the day following the date of execution(s) under review. Each party involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of subsection (e)(2)-(4) above.

**(i) Securities Subject to Limit Up-Limit Down Plan.** For purposes of this paragraph, the phrase "Limit Up-Limit Down Plan" or "Plan" shall mean the Plan to Address Extraordinary Market Volatility Pursuant to Rule 608 of Regulation NMS under the Act. The provisions of paragraphs (a) through (h) and (j) through (k) below above shall

govern all Exchange transactions, including transactions in securities subject to the Plan, other than as set forth in this paragraph (i). If as a result of an Exchange technology or systems issue any transaction occurs outside of the applicable price bands disseminated pursuant to the Plan, an Officer of the Exchange or senior level employee designee, acting on his or her own motion or at the request of a third party, shall review and declare any such trades null and void. Absent extraordinary circumstances, any such action of the Officer of the Exchange or other senior level employee designee shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction. When extraordinary circumstances exist, any such action of the Officer of the Exchange or other senior level employee designee must be taken by no later than the start of regular trading hours on the trading day following the date on which the execution(s) under review occurred. Each Member involved in the transaction shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above. In the event that a single plan processor experiences a technology or systems issue that prevents the dissemination of price bands, the Exchange will make the determination of whether to nullify transactions based on paragraphs (a) through (h) above and (j) through (k) below.

(j) *Multi-Day Event*. A series of transactions in a particular security on one or more trading days may be viewed as one event if all such transactions were effected based on the same fundamentally incorrect or grossly misinterpreted issuance information resulting in a severe valuation error for all such transactions (the "Event"). An Officer, acting on his or her own motion, shall take action to declare all transactions that occurred during the Event null and void not later than the start of trading on the day following the last transaction in the Event. If trading in the security is halted before the valuation error is corrected, an Officer shall take action to declare all transactions that occurred during the Event null and void prior to the resumption of trading. Notwithstanding the foregoing, no action can be taken pursuant to this paragraph with respect to any transactions that have reached settlement date or that result from an initial public offering of a security. To the extent transactions related to an Event occur on one or more other market centers, the Exchange will promptly coordinate with such other market center(s) to ensure consistent treatment of the transactions related to the Event, if practicable. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each member or member organization involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

(k) *Trading Halts*. In the event of any disruption or malfunction in the operation of the electronic communications and trading facilities of the Exchange, another market center or responsible single plan processor in connection with the transmittal or receipt of a regulatory trading halt, suspension or pause, an Officer, acting on his or her own motion, shall nullify any transaction in a security that occurs after the primary listing market for such security declares a regulatory trading halt, suspension or pause with respect to such security and before such regulatory trading halt, suspension or pause with respect to such

security has officially ended according to the primary listing market. In addition, in the event a regulatory trading halt, suspension or pause is declared, then prematurely lifted in error and is then re-instituted, an Officer shall nullify transactions that occur before the official, final end of the halt, suspension or pause according to the primary listing market. Any action taken in connection with this paragraph shall be taken in a timely fashion, generally within thirty (30) minutes of the detection of the erroneous transaction and in no circumstances later than the start of regular trading hours on the trading day following the date of execution(s) under review. Any action taken in connection with this paragraph will be taken without regard to the Numerical Guidelines set forth in this Rule. Each member or member organization involved in a transaction subject to this paragraph shall be notified as soon as practicable by the Exchange, and the party aggrieved by the action may appeal such action in accordance with the provisions of paragraph (e)(2) above.

#### **Rule 128A - Equities. Publication of Transactions**

*This Rule is not applicable to trading on the Pillar trading platform.*

##### **• • • Supplementary Material:**

**.10 Duty of seller.**—It is the duty of the seller to report the sale of a security in such manner as to facilitate the printing of the trade on the tape. Members should promptly call the attention of the appropriate person(s) to any error on or omission from the tape.

**.11 Price not in dispute.**—The publication of a transaction on the tape may not be objected to if the price at which it was made is not in dispute.

**.12 Reserved**

**.13 Registered as to principal.** Transactions in bonds registered as to principal must be published on the tape and "sales sheet," \* designated "Registered as to Principal."

**.14-.15 Reserved.**

**.16 Stopped' Securities.**—Transactions in `stopped' securities shall be published on the tape and in the `sales sheet' \* in sequence and included in the volume for the day. If a member so requests, such transactions shall be designated on the tape with the symbol `ST'. A trade so designated is considered to be outside the regular bidding and offering rules and only the grantor of the `stop' and the broker who has been `stopped' may participate in such trade.

#### **Rule 128B - Equities. Publication of Changes, Corrections, Cancellations or Omissions and Verification of Transactions**

*This Rule is not applicable to trading on the Pillar trading platform.*

##### **• • • Supplementary Material:**

**.10 Publication on the tape or in the `sales sheet'.**—Publication of a change or a correction in a transaction which previously appeared on the tape, or publication of the cancellation of a transaction which previously appeared on the tape and which was properly rescinded, or publication of a transaction omitted from the tape may be made on the tape on the day of the transaction provided both buying and selling members or member organizations agree to the change in the transaction(s) and approval is received from a Floor Governor, Executive Floor Official, Senior Floor Official or Executive Floor Governor. In the event such publications are not made on the tape on the day of the transaction, they may be published on the tape at least ten minutes prior to the opening of business on the following business day or in the "sales sheet" \* within three business days of the date of the transaction with the approval of both the buying and selling members and a Floor Official, provided the price of the transaction does not affect the high, low, opening or closing price of the security on the day of the transaction.

.11 Reserved.

**.12 Mechanical, system and clerical errors.**—Erroneous publications made on the tape due to mechanical or system troubles or to clerical errors may be corrected on the tape on the day of the transaction, or on the tape by at least ten minutes prior to the opening of business on the following business day, or in the `sales sheet' within three business days of the date of the transaction under the direction of an authorized ICE employee.

**.13 Other errors.**—A correction in the amount of a transaction reported erroneously to the tape by a party to the transaction, may be published on the tape on the day of the transaction, or on the tape at least ten minutes prior to the opening of business on the following business day, or on the "sales sheet" \* within three business days of the date of the transaction with the approval of a Floor Governor, Executive Floor Official, Senior Floor Official or Executive Floor Governor.

Members who wish to make requests to have publications made on the tape or in the `sales sheet' or to have verifications of transactions made, should first take up the matter as to procedure with a reporter in the Crowd where the security is dealt in or with the section supervisor at the post.

## **Comparisons and Exchange of Contracts (Rules 130 - Equities—143 - Equities)**

### **Rule 130 - Equities. Overnight Comparison of Exchange Transactions**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Notwithstanding any other rule to the contrary, each transaction effected on the Exchange shall be compared or otherwise closed out by the close of business on the Exchange on the business day following the day of the contract.

(b) The provisions of paragraph (a) above shall apply regardless of whether the transaction has been submitted to a `Qualified Clearing Agency' for comparison or

settlement, but such provisions shall apply only to contracts for 'regular way', 'next day' and 'seller's option' settlement, as prescribed in Equities Rule 14, in stocks, rights, warrants, 'when issued' and 'when distributed' securities. The provisions of paragraph (a) shall apply to contracts in listed bonds.

(c) To facilitate next day comparison of transactions effected on the Exchange as provided for in paragraph (a) above, by such time following any such transaction as the Exchange may prescribe, each member or member organization which is a party to the contract shall submit, or cause to be submitted, such trade data as may be required by the Exchange or the Qualified Clearing Agency it selects, in such form as the Exchange or the Qualified Clearing Agency shall prescribe, to:

(i) the Qualified Clearing Agency it selects; or

(ii) such facility as the Exchange may develop and implement to facilitate comparison of transactions effected on the Exchange; and,

(iii) in the case where a Qualified Clearing Agency will not be used to compare or settle the transaction, to the party or parties on the other side of the trade.

(d) Members and member organizations shall comply with such other rules and procedures as may be adopted by the Exchange or the Qualified Clearing Agency they select, for the comparison or settlement of transactions, for the resolution of uncompleted or questioned trades, and for the collection and submission of audit trail data.

• • • ***Supplementary Material:***

.10 For purposes of paragraph (b) of this Rule 130 - Equities, the term 'Qualified Clearing Agency' shall have the same meaning as set forth in paragraph .10 of Rule 132 - Equities, provided further that a clearing agency shall be deemed a 'Qualified Clearing Agency' only if it has established rules and procedures to facilitate next day comparison of transactions as provided for in paragraph (a) of this Rule 130 - Equities.

.20 Transactions in securities admitted to dealings on the Exchange shall be submitted to the Exchange by issue or by type, as may be determined by the Exchange from time to time, for the comparison of trade information. Each clearing member shall be responsible for the submission of its own trade information to comparison and the transaction information of other members and member organizations that it has authorized to 'give up' its name. Each clearing member shall file its trade information with the Exchange in accordance with the provisions of Rule 132.30 - Equities.

.30 On each business day the Exchange shall compare the trade information submitted to it by each clearing member and by the Exchange for transactions effected in Exchange systems and shall issue lists to each such clearing member indicating the results of such comparison.

.40 Each clearing member shall designate the Qualified Clearing Agency or securities depository as to which its comparison data is to be transmitted for clearance and settlement, unless the parties to a contract have mutually agreed that such data shall not be so transmitted, or it has been so stated in the bid or offer, or the Exchange refuses to act in the matter. On each business day at or prior to such time as may be prescribed by each such Qualified Clearing Agency or securities depository, the Exchange shall transmit each clearing members' compared trades based on the comparison services performed by the Exchange on that day.

.50 The Exchange shall not be responsible or liable in any way whatsoever to any member, member organization, clearing member organization, Qualified Clearing Agency or securities depository for compared trades, the failure to compare trades or for any delays, errors or omissions in the comparison process or for the production and delivery of or for the failure to produce and deliver lists and reports.

**Rule 131 - Equities. Comparison—Requirements for Reporting Trades and Providing Facilities**

*This Rule is not applicable to trading on the Pillar trading platform.*

**Duty to Report Transactions**

(a) It shall be the duty of every member to report each transaction made by him on the Floor as promptly as possible, but no later than one hour after the close of business on that day to his office, to the office of the member or member organization clearing for him or his member organization, or to the office of his principal, as the case may be, where adequate facilities to effect comparison are maintained. The Exchange may change the time requirements specified herein as it may determine.

**Facilities for Comparison**

(b) Every clearing member and member organization shall maintain adequate facilities for the comparison of transactions, and shall keep them available during such hours as to enable other members and member organizations reasonably to complete comparisons as required by the Rules.

**Availability of Records**

(c) It shall be the duty of every member to have available, at his office, his records with regard to transactions effected by him on the Floor in order to enable other members and member organizations with whom or for whom transactions were made to make inquiry concerning such transactions. The requirements of this paragraph (c) notwithstanding, every member who effects transactions on the Floor shall have available on the Floor records of orders, original Floor Reports (or a facsimile thereof) and all other pertinent data relating to transactions that are uncomparing from the previous business day.

### **Availability of Representative**

(d) Every member and member organization shall have a representative qualified to answer inquiries regarding orders and trades present in the office until at least 4:30 p.m. every business day.

### **Rule 131A - Equities. A Member Organization Shall Use Its Own Mnemonic When Entering Orders**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) A mnemonic is a unique identifier issued by the Exchange to a member organization for order entry and execution identification purposes. Multiple mnemonics may be issued to a member organization at the Exchange's discretion.

(b) Mnemonics must be obtained from the Exchange by the member organization directly or by a clearing member organization on behalf of a member organization. A mnemonic will be assigned to only one member organization and each member organization assigned a mnemonic must designate its clearing member organization.

(c) Mnemonics obtained by a clearing member organization on behalf of a member organization that enters orders on the Exchange must be in the entering member organization's name.

(d) A member organization must use one of its own mnemonics when it enters an order on the Exchange to identify it as the entering firm.

(e) A member organization must use one of its own mnemonics when it uses its order entry system (proprietary and or vendor systems) to submit an order on the Exchange on its own behalf (proprietary and or agency orders) to identify it as the entering firm.

(f) A member organization that enters an order on the Exchange on behalf of a non-member must use its own mnemonic to identify it as the entering firm.

(g) A member organization that uses its order entry system to submit an order on the Exchange on behalf of another member organization must use its own mnemonic in the order's entering field to identify itself as the entering firm.

(h) When a member organization requests another member organization to handle the execution of its order on the Floor of the Exchange, the mnemonic of the requesting member organization must be placed in the order's entering firm field.

### **Rule 132 - Equities. Comparison and Settlement of Transactions Through A Fully-Interfaced or Qualified Clearing Agency**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Each party to a contract shall submit data regarding its side of the contract ('trade data') to a Fully-Interfaced Clearing Agency for comparison or settlement, but each party shall be free to select the Fully-Interfaced Clearing Agency of its choice for such purpose. Where the parties to a contract do not choose Fully-Interfaced Clearing Agencies for the comparison of such contract, they shall both submit trade data to the same Qualified Clearing Agency for comparison pursuant to the rules of such Clearing Agency and where such parties do not choose Fully-Interfaced Clearing Agencies for the settlement of such contract, they shall both submit the same transaction to the same Qualified Clearing Agency for settlement pursuant to the rules of such Clearing Agency; provided, however, that this paragraph (a) shall not apply if (i) it is otherwise stipulated in the bid or offer, (ii) it is otherwise mutually agreed upon by both parties to the contract, or (iii) the Fully-Interfaced or Qualified Clearing Agency selected by either party to the contract refuses to act in the matter.

(b) Transactions which are not submitted to a Qualified Clearing Agency for comparison pursuant to the rules of such Clearing Agency shall be compared in accordance with the Rules of the Exchange and transactions which are not submitted to a Qualified Clearing Agency for settlement pursuant to the rules of such Clearing Agency shall be settled in accordance with the Rules of the Exchange.

• • • *Supplementary Material:*

**Definitions**

.10 *Definition of a Qualified Clearing Agency*—The term 'Qualified Clearing Agency' shall mean a clearing agency (as defined in the Securities Exchange Act of 1934) which (i) has been granted registration by the Securities and Exchange Commission under said Act, (ii) maintains facilities through which Exchange Contracts may be compared or settled, and (iii) has agreed to supply the Exchange with data reasonably requested in order to permit the Exchange to enforce compliance by its members and member organizations with the provisions of the Securities Exchange Act of 1934, the rules and regulations thereunder, and the Rules of the Exchange.

.20 *Definition of Fully-Interfaced Clearing Agency*—The term 'Fully-Interfaced Clearing Agency' shall mean a Qualified Clearing Agency which, in conjunction with the Qualified Clearing Agency selected by the contra-party to the contract: (i) in the case of a submission for comparison, has established systems for effecting comparison of a securities contract which permits each party to the contract to submit its trade data to the Qualified Clearing Agency selected by it and (ii) in the case of a submission for settlement, has established systems for the settlement of securities contracts in a manner which does not require each party to a contract to be a participant in the same Qualified Clearing Agency.

.30 Regardless of whether or not a Fully-Interfaced or Qualified Clearing Agency is being used for the comparison and/or settlement of a round-lot regular way contract for the purchase or sale of a security entered into on the Exchange, each clearing member



organization that is a party to such contract shall submit to a Fully-Interfaced or Qualified Clearing Agency, as defined above, in such form and within such time periods as may be prescribed by the Clearing Agency, or the Exchange, as appropriate, each of the following trade data elements:

- (1) Name or identifying symbol of the security, as may be required by the clearing agency;
- (2) Number of shares or quantity of security;
- (3) Transaction price;
- (4) Time the trade was executed;
- (5) Executing broker badge number, or alpha symbol as may be used from time to time, in regard to its side of the contract;
- (6) Executing broker badge number, or alpha symbol as may be used from time to time, of the contra side to the contract;
- (7) Clearing firm number, or alpha symbol as may be used from time to time, in regard to its side of the contract;
- (8) Clearing firm number, or alpha symbol as may be used from time to time, in regard to the contra side of the contract;
- (9) The capacity in which the member organization executed the transaction (e.g., agency, principal, or riskless principal);
- (10) Such other information as the Exchange may from time to time require.

Each clearing member organization that is a party to a round lot non-regular way contract for the purchase or sale of a security entered into on the Exchange shall submit each of the trade data elements referred to above to the Exchange, in such form and within such time periods as the Exchange may prescribe.

**[Rule 132A - Equities. Deleted]**

Deleted.

**Rule 132B - Equities. Deleted**

Deleted.

**Rule 132C - Equities. Deleted**

Deleted.]

### **Rule 133 - Equities. Comparison—Non-cleared Transactions**

*This Rule is not applicable to trading on the Pillar trading platform.*

Comparison of transactions in securities executed on the Exchange, which are not submitted to the Exchange or to a Qualified Clearing Agency for comparison pursuant to the rules of such Exchange or Qualified Clearing Agency shall be effected in the following manner:

(1) Each selling member and member organization shall send to the office of the buyer in respect of each sale a comparison form in duplicate on the same business day of the transaction, but not later than 5:00 p.m. on that day;

(2) The party to whom the comparison is presented shall retain the original, if it be correct, and immediately return the duplicate duly signed;

except that transactions for delivery on the business day following the day of the contract shall be compared, in the manner prescribed herein, no later than one hour after the closing of the Exchange on the day of the transaction.

### **Rule 134 - Equities. Differences and Omissions-Cleared Transactions ('QTs')**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) When a clearing member organization submits a transaction in a listed stock which it executed on the Exchange to the Exchange or to a Qualified Clearing Agency pursuant to the rules of such Exchange or Qualified Clearing Agency as a comparison item, and learns that it is uncomparing, it shall resolve such comparison item on the first business day after the trade date through the facilities of the Correction System (the 'System') during the time that such System is available for use.

(b) Beginning on the morning of the first business day after the trade date, it shall be the responsibility of each clearing member organization to review its file of uncomparing transactions, if any, displayed on a terminal provided by the Exchange for such purpose and make any necessary additions, deletions or changes to its data no later than 12:00 PM on that same day. When a clearing member organization adds an uncomparing transaction to its file, it must include the time of the execution and the badge number of its executing broker and the badge number of the contra-broker.

(c) Beginning at 12:01 PM on the first business day after the trade date (or earlier in the case of transactions effected for delivery on the business day following the day of the transaction), the clearing member organization's members that executed the uncomparing transactions shall begin to resolve such uncomparing transactions by comparing their records with the data displayed on the terminal by the contra-parties to the transactions.

(1) When the executing broker for the clearing member organization is a "\$2" broker or a DMM, the clearing member organization shall notify the "\$2" broker or the DMM of the uncomparing transaction by presenting him or her with a copy of the details of the transaction produced by the System. Such notification shall be made no later than 1:00 PM on the first business day after the trade date. The clearing member organization shall provide the "\$2" broker or the DMM with copies of all relevant Floor Reports at the same time the uncomparing trade is presented.

(2) When a clearing member organization has an uncomparing transaction which it submitted to comparison (but did not execute) for a non-clearing member organization, it shall notify the non-clearing member organization of the uncomparing trade by presenting it with a copy of the details of the trade produced by the System.

Such notification shall be made no later than 1:00 PM on the first business day after the trade date. The member of the non-clearing member organization that executed the uncomparing transaction shall begin immediately to resolve the trade. If a "\$2" broker or a DMM executed the transaction on behalf of the non-clearing member, he shall be provided with copies of all relevant Floor Reports at the same time the uncomparing trade is presented.

(d)(i) No member shall be permitted to effect transactions on the Floor unless such member: (a) maintains an error account at a registered broker or dealer in his or her name, or in the name of his or her member organization; or (b) such member participates in an error account established for a group of members ('group error account'). A member shall maintain only one error account as referenced above for the resolution of errors related to transactions executed on the Exchange Floor. For orders initiated and/or routed from a member organization's booth premise operating pursuant to Rule 70.40 - Equities, member organizations are prohibited from processing errors related to transactions on another market center in its Exchange required error account.

(ii) Any transaction effected on the Floor which results in a member or member organization assuming or acquiring a position in a security as a result of an error and any transaction initiated on the Floor by a member to offset a transaction made in error shall be cleared in the member's or his or her member organization's error account or group error account unless the customer accepts the error transaction, or the DMM in the security accepts the error transaction as a trade on 'account of error'. Any transaction initiated on the Floor by a member to offset a transaction made in error shall be evidenced by a time stamped order ticket indicating that the transaction is to cover an error.

(iii) Records as to all errors shall be maintained by the member or his or her member organization. Such records shall include the audit trail data elements prescribed in Rule 132 - Equities, as well as the nature and amount of the error, the means whereby the member resolved the error with the member or member organization that cleared the error trade on the member's behalf, the aggregate amount of liability that the member has

incurred and has outstanding, as of the time each such error trade entry is recorded, and such other information as the Exchange may from time to time require.

(iv) When a clearing member organization ceases to carry a member's or member organization's error account, the clearing member organization must notify the Exchange in writing immediately, but in no event later than the opening of trading on the following business day.

(v) No trading may take place in an error account that is not related to an error.

• • • ***Supplementary Material:***

.10 The term 'registered broker or dealer' as used in this Rule shall mean any broker or dealer registered in accordance with Section 15(b) of the Securities Exchange Act of 1934.

.20 An error may be resolved by the customer accepting the error transaction as executed and a member or member organization paying the customer to settle the amount of the error (a 'difference check'). Detailed records of the type contained in (d)(iii) shall be maintained by the member or member organization of each transaction which resulted in a difference check of more than \$500, or for which a customer refused a difference check of any amount.

.30 If the customer does not accept the erroneous transaction and the order cannot be executed on its original terms or better in the then current market, the member must issue a report from the member's or his or her member organization's error account, or with the prior approval of the DMM, from the DMM's account. Such report may be confirmed to the customer as an Exchange transaction provided there is a liquidation transaction on the Exchange in the error account.

.40 Every member not associated with a member organization, and every member associated with a member organization which derives at least 75% of its revenue from floor brokerage based on execution of orders on the Floor shall report to the Exchange error transactions in such member's or his or her member organization's account which result in a profit of more than \$500 for any transaction, or for more than \$3,000 in any calendar week. Such reports shall contain a detailed record of the errors and liquidating transaction.

(e)(i) Clearing member organizations shall resolve all uncomparing transactions as either OK or DK no later than 6:00 PM on the first business day after the trade date by inserting the appropriate response next to each uncomparing transaction contained in the System's file; provided, however, that if the transaction is for delivery on the business day following the day of the transaction, it shall be resolved no later than 2:00 PM on such day.

(ii) In order that clearing member organizations can comply with the above requirement, "\$2" brokers, DMMs and non-clearing members having uncomparing transactions presented to them must respond no later than 5:00 PM, except when a non-clearing member organization has re-transmitted an uncomparing trade to a "\$2" broker or a DMM, the non-clearing member has until 5:30 PM to respond to its clearing member organization.

(iii) At the close of business on the trade date but no earlier than 5:00 PM, the Exchange shall assign a DMM Unit as the contra party to any unresolved omnibus account imbalance still remaining in the Online Comparison System.

(iv) At the close of business on the first business day after the trade date after the conclusion of the processes described in sections (e)(i) and (ii) of this Rule, but no earlier than 7:00 PM, the Exchange shall assign a Floor broker's clearing member organization as the contra party to any uncomparing e-Quote transaction still remaining in the Online Comparison System.

(v) The time requirements set forth in Paragraphs (b), (c) and (e) may be changed from time to time as the Exchange may determine. However, the time for resolving transactions as either OK or DK set forth in Paragraph (e)(i) shall not be extended past the time that the System is available for use on any business day.

(f)(i) Transactions agreed upon as OK by a clearing member organization by entering the appropriate response into the System may not be subsequently DK'd by the clearing member. Transactions agreed upon as DK by a clearing member organization by entering the appropriate response into the System may not be subsequently OK'd by the clearing member.

(ii) Transactions which have been DK'd by a clearing member organization by entering the appropriate response into the System may be closed out by the questioning firm under the provisions of Rule 282 - Equities and the printed record of such response produced by the System shall constitute the notice requirement of Rule 282 - Equities.

(g) For the purposes of this rule an 'error' occurs as described in this subsection (g) and (h) below. When an order is executed outside of the customer instructions as entered in the electronic order tracking system of the Exchange pursuant to Rule 123(e) - Equities. This includes, but is not limited to:

(i) When a held or a not held order is executed in:

(a) the wrong security; or

(b) on the wrong side of the market; or

(c) at a price outside the limit price of the order; or

(d) is over bought or over sold; or

(e) duplicates an execution.

(ii) When an error is committed in the execution of a not held order as it relates to symbol, side, or price as noted in (i) above, which causes such not held order to remain unexecuted.

(h) When: (i) there is a failure to execute a held order when market conditions permitted; or (ii) when a not held order remains unexecuted, in whole or in part, due to the order being lost or misplaced, or as a result of a system malfunction. A system malfunction is the failure of physical equipment, devices and/or programming employed by the Floor broker or otherwise provided by the Exchange and used in the execution of orders.

(i) The Floor broker must maintain a signed, time-stamped record, including supporting documentation of such error.

(j)(i) For the types of errors referred to in (h)(ii) above, such record and supporting documents must be provided to the Division of Market Surveillance prior to the opening of the Floor on the next trade date following the error.

(ii) With respect to the errors described in (h)(ii) above, the Floor broker may execute the order in alignment with half the volume of each Exchange tape print up to the size of the order between the time that the order was entered and the time that the Floor Broker realized that the order was lost, misplaced or not executed as a result of a system malfunction. If executing half the volume of an order based on the Exchange tape print would result in more than a unit of trading, but not a multiple thereof (such as 150 shares), the customer would be entitled to the nearest full unit of shares rounded down (such as 100 shares).

(iii) If the Floor broker fails to provide sufficient documentation, (which must include, but is not limited to, the date and time of the error, the date and time the error was discovered, the size of the error, the stock in which the error occurred, the original instructions, the names of all involved parties including the client and any upstairs trader, a detailed narrative of how the error occurred, detail narrative of discussions with relevant parties, the steps taken to correct the error and the ultimate resolution of the error) prior to the next trade date following the error, the Floor broker is prohibited from relying on the provisions of (j)(ii) above.

• • • ***Supplementary Material:***

.10 Orders Stored in Exchange Systems.-Differences and omissions with respect to transactions involving orders stored in Exchange systems shall be resolved pursuant to the procedures set forth in Rule 115A.30 - Equities.

**Rule 135 - Equities. Differences and Omissions—Non-cleared Transactions ('DK's')**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) When a comparison of a transaction executed on the Exchange which is not submitted to the Exchange or to a Qualified Clearing Agency for comparison pursuant to the rules of such Exchange or Qualified Clearing Agency is received and the recipient has no knowledge of the transaction, the comparison shall be stamped 'Don't Know,' dated and initialed by the person so marking the same, and the comparison form, so stamped, shall be returned immediately to the seller; and

(b) when the buyer has not received a comparison from the seller, or when comparison cannot be made because of a difference, the buyer shall communicate that fact by telephone to the seller as soon as possible, but not later than the opening of the Exchange on the first business day following the day of the transaction; and

(c) when a comparison form has been returned to the seller stamped 'Don't Know,' or if, for any reason, comparison cannot be made, the parties shall, as soon as possible, but not later than 12:01 PM on the first business day following the day of the transaction, report the transaction to the executing Floor broker or brokers; and

(d) the Floor broker or brokers to whom such a transaction is reported shall investigate it immediately and resolve the transaction as either OK or DK no later than 6:00 PM on such day; provided, however, that, if the questioned transaction is one for delivery on the business day following the day of the transaction, it shall be handled as provided above and reported to the executing Floor broker or brokers as soon as possible, but in any event prior to the opening of the Exchange on the business day following the day of the transaction, and resolved no later than 2:00 PM that same day.

The provisions of this rule do not apply to transactions which are submitted to the Exchange or to a Qualified Clearing Agency for comparison pursuant to the rules of such Qualified Clearing Agency.

• • • ***Supplementary Material:***

.10 Sample 'Don't know' stamp.—

DON'T KNOW

Jones & Smith

Date ....

Per ....

**Rule 136 - Equities. Comparison—Transactions Excluded from a Clearance**

*This Rule is not applicable to trading on the Pillar trading platform.*

A transaction which was submitted to the Exchange or to a Qualified Clearing Agency for comparison

pursuant to the rules of such Exchange or Qualified Clearing Agency, but which has been excluded for any reason by such Exchange or Qualified Clearing Agency and has not otherwise been compared through the facilities or pursuant to the rules of such Exchange or Agency shall be compared, in the manner provided in Rule 133 - Equities, as promptly as possible after the parties thereto have been advised that the transaction has been excluded.

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### **Rule 235 - Equities. Ex-Dividend, Ex-Rights**

*This Rule is not applicable to trading on the Pillar trading platform.*

Transactions in stocks (except those made for 'cash' as prescribed in Rule 14 - Equities) shall be ex-dividend or ex-rights on the second business day preceding the record date fixed by the corporation or the date of the closing of transfer books. Should such record date or such closing of transfer books occur upon a day other than a business day, this Rule shall apply for the third preceding business day.

Transactions in stocks made for 'cash' shall be ex-dividend or ex-rights on the business day following said record date or date of closing of transfer books.

The Exchange may, however, in any specific case, direct otherwise.

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### **Admission of Members (Rules 300 - Equities—324 - Equities)**

#### **Transfers of Memberships—Admissions of Members, Allied Members, etc. (Rule 300 - Equities—308 - Equities)**

### **Rule 300 - Equities. Trading Licenses**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) A trading license issued by the Exchange is required to effect transactions on the floor of the Exchange or through any facility thereof. An organization may acquire and hold a trading license only if and for so long as such organization is qualified and approved to be a member organization of the Exchange. A member organization holding a trading license may designate a natural person to effect transactions on its behalf on the floor of the Exchange, subject to such qualification and approvals as the Exchange may require. A trading license is not transferable and may not be, in whole or in part, transferred, assigned, sublicensed or leased; provided, however, that the holder of the



trading license may, with the prior written consent of the Exchange, transfer a trading license to a qualified and approved member organization (i) which is an affiliate or (ii) which continues substantially the same business of such trading license holder without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

(b) In each annual offering, up to 1366 trading licenses for the following calendar year will be sold annually at a price of \$40,000 per license for the first two licenses held by a member organization and \$25,000 per license for additional licenses held by a member organization, or such other price as the Exchange may set per trading license, which may include tiered pricing such as the foregoing based on the number of trading licenses held by a member organization.

(i) A member organization that holds a number of trading licenses in the current calendar year that wishes to maintain that same number of trading licenses in the following calendar year shall be presumed to have applied for that same number of trading licenses and will be charged by the Exchange the applicable fixed price per trading license for each license pursuant to section (b) above, subject to the provisions of section (c) below.

(c) In each annual offering, the Exchange will limit the number of trading licenses that may be initially applied for by a single member organization to a number that is the greater of (i) 35 and (ii) 125% of the greatest number of trading licenses utilized by the member organization in its business during the current calendar year. If there are nonetheless more than 1366 trading licenses applied for in the offering, each member organization will be allocated a number of trading licenses equal to the lesser of the number it applied for in the offering and the number used in its business at any time during the current calendar year, and the additional trading licenses up to 1366 trading licenses will be distributed by lottery among the member organizations applying for them.

(d) Following the annual offering and at any time thereafter during the following calendar year, the Exchange shall sell additional trading licenses expiring at the end of the calendar year at a price equal to the applicable price for each license for that year for licenses purchased in the annual offering, pro rated to reflect the amount of time remaining in the year. For such a trading license that is in place for 15 calendar days or less in a calendar month, proration for that month will be at a flat rate of \$100 per day with no tier pricing involved. For such a trading license that is in place for 16 calendar days or more in a calendar month, proration for that month will be computed based on the number of days as applied to the applicable annual fee for the license. The Exchange shall not sell additional trading licenses if such sale would cause the number of outstanding trading licenses to exceed 1366.

(e) A buyer of a trading license shall pay the Exchange the trading license fee in equal monthly installments in arrears over the period during which the trading license is in effect.

(f) Trading licenses shall expire at the end of the calendar year for which they are issued. Notwithstanding the foregoing, the holder of a trading license may terminate such trading license prior to the scheduled expiration of such trading license by providing at least 10 days' prior written notice to the Exchange of such termination. The termination will be effective at the end of the month following the end of such 10-day notice period.

(g) If a holder of a trading license shall cease to be a member organization of the Exchange for any reason, such holder shall be deemed to have terminated the trading license as of the last date of member organization status.

• • • ***Supplementary Material:***

.10T This Rule 300.10T shall apply to each Exchange member organization that (i) was a holder of a valid permit to trade on Exchange systems and facilities located at 86 Trinity Place ("86 Trinity Permit") as of the date that the Exchange member organization applied for a trading license and (ii) does not meet Exchange member organization qualifications under Equities rules. Within six months of the earlier of either receiving a trading license issued by the Exchange under this Rule or the cancellation of 86 Trinity Permits, such member organizations shall comply with all applicable Exchange membership requirements. If such a member organization fails to comply with applicable Exchange membership requirements by the expiration of the applicable grace period, such member organization shall not be entitled to effect transactions on the Floor of the Exchange, and the Exchange may commence proceedings consistent with its rules to revoke the membership of such member organization.

**Rule 301 - Equities. Qualifications for Membership**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) **Age.**—An applicant for membership in the Exchange must be at least the minimum age of majority required to be responsible for his contracts in each jurisdiction in which the applicant conducts business.

(b) **Application for membership.**—In making application for membership, a candidate is required to sign a personal statement, on a form prescribed by the Exchange, giving, among other things, complete details as to business history. A candidate who will be active on the Floor will be required to arrange with the Medical Clinic located in the Exchange building for a physical examination. A candidate may also be required to present letters of recommendation from at least three responsible persons.

(c) **Fingerprinting.**—Every member and every applicant for membership is required to be fingerprinted through an agent acceptable to the Exchange and to submit, or cause to be submitted, a report of such fingerprinting for appropriate processing. No applicant who has not previously been fingerprinted shall be admitted to the Floor until the results of the foregoing fingerprinting have been posted to the Central Registration Depository, reviewed and approved by the Exchange. An applicant previously fingerprinted may

receive conditional approval to be admitted to the Floor, pending review and approval of the foregoing fingerprint report, provided that such applicant was employed by a member or registered broker dealer within ninety days of the application.

Applicants whose fingerprint reports are deemed illegible pursuant to Rule 17f-2(a)(1)(iv) of the Exchange Act must submit an alternative background check acceptable to the Exchange covering the same factors as the fingerprint report. No applicant shall be admitted to the Floor until the results of the background check are reviewed and approved by the Exchange, provided that an applicant who has previously supplied an acceptable background check may receive conditional approval to go upon the Floor, pending review and approval of the new background check, and further provided that such applicant was employed by a member or registered broker dealer within ninety days of the application.

**(d) Appearance of applicant.**—An applicant for membership to the Exchange is required to appear personally at the time his application for membership is presented for consideration. The Exchange will advise the applicant of the date of such appearance at the time arrangements are entered into for the proposed admission to membership.

**(e) Miscellaneous Provisions**

*Floor Commissions*

(1) All Floor commissions of an Exchange member who is associated with a member organization as a member must be for the account of the organization.

*DMM trading*

(2) When an Exchange member is a DMM, in a member organization, his or her ordinary trading business as a DMM must be for the organization's account, or for the joint account in which his or her organization is permitted to participate under the provisions of Rule 94 - Equities.

**Rule 303 - Equities Limitation on Access to Floor**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) **Members' badges.**—All members who execute orders on the Floor must be provided with an identification badge and must wear the same while on the Floor. Every member's badge must contain his or her name and a number and the name of his or her member organization.

(b) **Subletting spaces on Floor.**—No member or member organization may, without specific permission of the Exchange, sublet to another member or member organization any telephone or DMM space on the Floor.

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**Rule 304A - Equities Member Examination Requirements**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Every applicant for membership shall pass an examination required by the Exchange unless such examination is waived by the Exchange.

(b) Every applicant for membership shall agree with the Exchange that, unless the appropriate qualifying examination required by the Exchange is waived, the applicant will, within three months following six months after becoming a member without having passed such examination, or upon failure to pass such examination after not more than three attempts, whichever occurs first, cease to be a member, retire as a general partner, principal executive officer, or director and if necessary promptly dispose of sufficient voting stock as may be necessary to reduce ownership below that level which enables such applicant to exercise controlling influence over the management or policies of the member organization.

(c) No member shall undertake any active duties as a member until the appropriate examination requirement is satisfied. A member who is to be active on the floor is required to be indoctrinated under the guidance of an experienced floor member for such period of time as may be necessary to become acquainted with floor procedures before being permitted to execute orders without supervision.

• • • **Supplementary Material:**

.10 The procedures for applying for these examinations are contained in study outlines which are available from the Exchange.

.20 Without the consent of the Exchange, no member qualified as a floor member shall act as an office member nor shall a member qualified as an office member act as a floor member without passing the appropriate qualifying examination required by the Exchange.

.30 Reserved.

.40 An office member required to retire, under paragraph (b) of this rule, who at the time of submitting the application was qualified as a floor member, may, if the member and the member organization so desire, retain membership and act as a floor member in the member organization.

.50 Any member whose sole duties are on the floor of another exchange will not be required to pass a New York Stock Exchange examination, if a floor examination, satisfactory to this Exchange, given by the exchange on whose floor the applicant is active, is passed.

.60 A member who applies to register as an odd-lot dealer or broker, DMM or registered trader is also required to pass an appropriate examination in these areas as prescribed by the Exchange. (See Rule 101.10 - Equities, 103.10 - Equities, and 111 - Equities.)

.70 Any member intending to work in the office of a member organization, who lacks experience in the securities business and who proposes to service customers accounts may also be required to undergo a period of training and to pass the examination for registered representatives.

.80 Any member who is engaged in the solicitation or handling of business in, or the sale of, commodities futures contracts must demonstrate competency by satisfying a solicitors examination requirement of a national commodities exchange, which examination is acceptable to the Exchange.

.90T (a) This Rule 304A.20T - Equities shall apply only to approved persons of a member organization who (i) have been designated by such member organization to effect transactions on the Floor of Exchange; and (ii) held a valid 86 Trinity Permit at the time they were designated to effect transactions on the Floor of the Exchange.

(b) Approved persons who satisfy the conditions set forth in Rule 304A.20T(a) - Equities above shall have six months from the date of such designation to meet the requirements contained in Rule 304A - Equities. If an approved person who has been designated to effect transactions on the Floor of the Exchange fails to meet the requirements of Rule 304A - Equities by the end of the grace period, such approved person shall not be permitted to effect trades on the Floor until such approved person shall have satisfied the requirements of Rule 304A - Equities.

**[Rules 305 - Equities - 307 -Equities**

Reserved.]

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**[Rule 309 - Equities. Reserved**

Reserved.]

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**Partnerships—Corporations (Rules 311 - Equities—324 - Equities)**

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**[Rule 314 - Equities—318 - Equities**

Reserved.

**Rule 319 -Equities. Reserved**

Reserved.]

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**[Rule 322 - Equities. Reserved.**

Reserved.

**Rules 323 - Equities—324 - Equities**

Reserved.

**Capital Requirements Member Organizations (Rules 325 - Equities—340 - Equities)**

**Rule 325 - Equities. Reserved**

Reserved.

**Rule 326(a) - Equities. Reserved**

Reserved.

**Rule 326(b) - Equities. Reserved**

Reserved.

**Rule 326(c) - Equities. Reserved**

Reserved.

**Rule 326(d) - Equities. Reserved**

Reserved.

**Rule 327 - Equities. Reserved**

Reserved.

**Rule 328 - Equities. Reserved**

Reserved.

**Rule 329 - Equities—340 - Equities**

Reserved.]

## **Offices and Employees (Rules 341 -Equities—354 - Equities)**

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### **Rule 342 - Equities. Compliance Supervisors.**

*The requirement for a member organization that conducts a DMM business to have a Series 14A requirement is not applicable to trading on the Pillar trading platform.*

(a) Any member or employee identified as being in charge of (1) any office of a member or member organization, (2) any regional or other group of offices, or (3) any sales department or activity must have a creditable record and must pass the General Securities Sales Supervisor Qualification Examination (Series 9/10) or another examination acceptable to the Exchange which demonstrates competency relevant to assigned responsibilities. The General Securities Principal Examination (Series 24), is an acceptable alternative for persons whose duties do not include the supervision of options or municipal securities sales activity. The examination requirement may be waived at the discretion of the Exchange. In the case of a firm that is applying for registered broker-dealer status, such supervisory candidates, in addition to the requirements outlined above, must also have at least one year of direct experience or two years of related experience in the subject area to be supervised.

(b) Each member not associated with a member organization and in the case of a member organization, the person (or persons) designated to direct day-to-day compliance activity (such as the Compliance Officer, Partner or Director) and each other person at the member organization directly supervising ten or more persons engaged in compliance activity should have overall knowledge of the securities laws and Exchange rules and must pass the Compliance Official Qualification Examination ("Series 14 Examination"). Compliance supervisors of member organizations that conduct a DMM business must pass the DMM Compliance Official Examination ("Series 14A Examination"). A member organization engaged in a public business in addition to a DMM business must have a qualified compliance supervisor who has passed the Series 14 and Series 14A Examinations. Where good cause is shown, the Exchange, at its discretion, may waive the examination requirement. The Exchange may give consideration to the scope of the member or member organization's activity, to previous related employment, and to examination requirements of other self-regulatory organizations. In such cases, the Exchange must be satisfied that the person is qualified for the position.

The following individuals are exempt from the Series 14 Examination requirement:

- (1) Compliance supervisors at member organizations whose activities are solely related to execution of orders on the Floor and who do not conduct any business with the public;

- (2) Compliance supervisors at member organizations whose commissions and other fees from their public business (retail and institutional) are under \$500,000 in the preceding calendar year and who introduce to another broker-dealer; and
- (3) Supervisors of ten or more persons whose compliance responsibilities are limited to the registration of member organization employees with the various regulatory and self-regulatory organizations.

**[Rule 343 - Equities. Reserved]**

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**Rule 345 - Equities. Employees—Registration, Approval, Records**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) No member or member organization shall permit any natural person to perform regularly the duties customarily performed by a securities lending representative, a Securities Trader or a direct supervisor of such, unless such person is registered with, qualified by and is acceptable to the Exchange. Exchange members and member organizations shall also comply with NASD Rule 1031, concerning the registration and approval of registered representatives and their supervisors, and any amendments thereto, as if such Rule is part of the Exchange's Rules.

**• • • Supplementary Material:**

**Registration of Employees**

**.10 Employees required to be registered or approved.**— See definitions of "branch office manager" and "registered representative" contained in Rules 9 - Equities and 10 - Equities and Rule 3110 - Equities for qualification requirements for supervisors. A "securities lending representative" is defined as any person who has discretion to commit his member or member organization employer to any contract or agreement (written or oral) involving securities lending or borrowing activities with any other person.

A "Securities Trader" is defined as any person engaged in the purchase or sale of securities or other similar instruments for the account of a member organization with which such person is associated, as an employee or otherwise, and who does not transact any business with the public. A Securities Trader must be registered as such on Web CRD and pass the Series 57 Examination.

A supervisor of a Securities Trader must satisfy its registration requirements under this Commentary .10 by registering and qualifying as a Securities Trader Principal in Web CRD if (a) such supervisor's supervisory responsibilities are limited solely to supervising Securities Traders; (b) such supervisor is qualified to be so registered by passing the General Securities Principal Qualification Examination - Series 24; and (c) such



supervisor is registered pursuant to Exchange Rules as a Securities Trader. Such a supervisor shall not be qualified to function in a Principal or supervisory capacity with responsibility over any area of business other than that involving proprietary trading.

## **.11 Investigation and Records**

(a) Members and member organizations shall thoroughly investigate the previous record of persons whom they contemplate employing including, (1) persons required to be registered with the Exchange, (2) persons who regularly handle or process securities or monies or maintain the books and records relating to securities or monies and (3) persons having direct supervisory responsibility over persons engaged in the activities referred to in (1) and (2) above who are not otherwise required to be registered.

Investigatory requirements for persons required to be registered with the Exchange (referred to in (a)(1) above) shall be satisfied when the member or member organization fulfills its obligation to verify the information contained in the Uniform Application for Securities Industry Registration or Transfer (Form U-4) and reviews the most recent Form U-5, as described below, if applicable.

In addition, a member or member organization shall obtain from an applicant, if applicable, a copy of his or her Uniform Termination Notice of Securities Industry Registration (Form U-5) and any amendments filed thereto, by the most recent employer. A member or member organization shall request said Form U-5 from any person who was previously registered with the Exchange or other self-regulatory organization that requires its members to provide a copy of Form U-5 to its terminated registered persons. (See also Rule 345.17 - Equities.)

The member or member organization shall obtain said Form U-5 no later than sixty (60) days following the filing of the application for registration or demonstrate to the Exchange that it has made reasonable efforts to comply with the requirement. A member or member organization receiving a Form U-5 pursuant to this provision shall review the Form U-5 and any amendment thereto as part of its investigatory process and shall take such action as may be deemed appropriate.

Investigatory requirements pertaining to persons specified in (a)(2) and (3) above shall be satisfied if a member or member organization verifies the information obtained pursuant to paragraph (c) below. Notwithstanding the above, further inquiry shall be made where appropriate in light of background information developed, the position for which the person is being considered or other circumstances. Investigation and verification shall be done by a member or person designated under the provisions of Rule 3110(a) - Equities.

(b) Any applicant for registration who receives a request for a copy of his or her Form U-5 from a member or member organization pursuant to (a) above shall provide such copy to the member or member organization within two (2) business days of the request if the Form U-5 has been provided to such person by his or her former employer. If an employer has failed to provide the Form U-5 to the applicant for registration, such person

shall promptly request the Form U-5, and shall provide it to the requesting member or member organization within two (2) business days of receipt thereof. The applicant shall promptly provide any subsequent amendments to a Form U-5 he or she receives to the requesting member or member organization.

(c) Members and member organizations are reminded to obtain and keep on file all information required under Rule 17a-3(a)(12) of the Securities Exchange Act of 1934 for persons included within the definition of "associated person" pursuant to Rule 17a-3(a)(12)(ii). In addition, the Exchange requires that a record be kept of whether a bonding company has ever denied or revoked, or paid out on any bond because of such person.

If an employee is registered with the Exchange, a duplicated copy of Form U-4 signed by an authorized person shall satisfy all the recordkeeping requirements of this paragraph.

**.12 Applications:** Applications for all natural persons required to be registered with the Exchange shall be submitted to the Exchange on Form U-4, copies of which will be supplied on request. The application for the approval of such registered person shall be completed and filed upon the candidate's employment in order that processing may be completed by the time the training period is finished. (*See .18—Filing With Agent.*)

The information contained on Form U-4 must be kept current and shall be updated by the filing with the Exchange of an amendment to that form.

**.13 Agreements.**—Prior to the Exchange's consideration of the application, each candidate for registration, other than a member of the Exchange shall sign an agreement(s), on a form(s) prescribed by the Exchange, which includes a pledge that the registered person will abide by the Rules adopted pursuant thereto as these now exist and as from time to time amended.

**.14 Payment of fees.**—Members and member organizations shall pay registration, maintenance, filing, and other related fees as prescribed by the Exchange.

## **.15 Qualifications**

(1)(a) **Candidates for registration.**—Candidates for registration, shall qualify by passing a qualification examinations, as applicable, which is acceptable to the Exchange.

(b) **Examination waivers.**—Where good cause is shown, the examination requirement for a candidate for registration may be waived at the discretion of the Exchange pursuant to the Rule 9600 Series. Consideration may be given to previous related employment and to training and/or examination requirements of other self-regulatory organizations. In such cases, the Exchange must be satisfied that the candidate is qualified for registration.

(2) **Registered representatives.**—Such candidates shall pass a qualifying examination acceptable to the Exchange.

(3) **Limited registration.**—Applications as limited purpose registered representative candidates will be considered by the Exchange for those duly qualified persons whose activities are limited solely to the solicitation or handling of the sale or purchase of: investment company securities and variable contracts, insurance premium funding program, direct participation programs, and municipal securities, among other limited registration categories. Limited purpose registered representative candidates shall qualify by passing a qualification examination acceptable to the Exchange.

(4) **Reserved.**

(5) **Commodities solicitors.**—Individuals who are engaged in the solicitation or handling of business in, or the sale of, commodities futures contracts shall demonstrate their competency by satisfying a solicitor's examination requirement of a national commodities exchange, which examination is acceptable to the Exchange.

**.16 Power of Exchange over all employees.**—The Exchange may require at any time that the name, terms of employment, and actual duties of any person employed by a member or member organization shall be stated to the Exchange, together with such other information with respect to such employee as it may deem appropriate to permit it to enforce compliance with the Rules.

### **General Information Regarding Employees**

#### **.17 Termination of employment**

(a) The discharge or termination of employment of any registered person together with the reasons thereof, shall be reported promptly, but in any event not later than thirty days following termination, to the Exchange on a U-5 Form. (*See .18—Filing With Agent.*) A copy of said termination notice shall be provided concurrently to the person whose association has been terminated.

(b) The member or member organization shall provide written notification to the Exchange by means of an amendment to Form U-5, filed pursuant to paragraph (a) above, in the event that the member or member organization learns of facts or circumstances causing any information set forth in said notice to become inaccurate or incomplete. Such amendment shall be filed with the Exchange and provided to the person whose association has been terminated not later than thirty days after the member or member organization learns of the facts or circumstances giving rise to the amendment.

**.18 Filing With Agent.**—Any filing or submission required to be made with the Exchange under this rule, where appropriate, may be made with a properly authorized agent acting on behalf of the Exchange and shall be deemed to be a filing with the Exchange.

### **Rule 345A - Equities. Continuing Education For Registered Persons**

*This Rule is not applicable to trading on the Pillar trading platform.*

**(a) Regulatory Element.**—No member or member organization shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the continuing education requirements of Section (a) of this Rule.

(1) Each registered person shall complete the Regulatory Element of the continuing education program on the occurrence of their second registration anniversary date and every three years thereafter or as otherwise prescribed by the Exchange. On each occasion, the Regulatory Element must be completed within one hundred twenty days after the person's registration anniversary date. A person's initial registration date, also known as the "base date", shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element of the program shall be determined by the Exchange for each registration category of persons subject to the rule. A person qualified solely as a Securities Trader shall comply with the continuing education requirements appropriate for the Series 57 by completing the S101 Program. All other registered persons shall comply with the continuing education requirements applicable to their particular registration.

(2) **Failure to complete.**—Unless otherwise determined by the Exchange, any registered persons who have not completed the Regulatory Element of the program within the prescribed time frames will have their registration deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this Rule shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. The Exchange may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) **Disciplinary Actions.**—Unless otherwise determined by the Exchange, a registered person will be required to re-take the Regulatory Element of the program and satisfy the program's requirements in their entirety in the event such person:

(i) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934 (see also Rule 342(e) of the Office Rules);

(ii) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(iii) is ordered pursuant to a disciplinary proceeding to re-take the Regulatory Element by any securities governmental agency or securities self-regulatory organization.

A re-taking of the Regulatory Element shall commence with participation within one hundred twenty days of the registered person becoming subject to the statutory disqualification, in the case of (i) above, or the completion of the sanction or the disciplinary action becoming final, in the case of (ii) and (iii) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of this Rule.

**(b) Firm Element**

**(1) Persons Subject to the Firm Element.**—The requirements of Section (b) of this Rule shall apply to any registered person who has direct contact with customers in the conduct of the member's or member organization's securities sales, trading or investment banking activities, and to the immediate supervisors of such persons, and to registered persons who function as supervisory analysts, and research analysts as defined in Rule 344 - Equities (collectively, "covered registered persons").

**(2) Standards**

(i) Each member and member organization must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skills and professionalism. At a minimum, each member and member organization shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's or member organization's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a member's or member organization's analysis determines a need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's or member organization's training plan.

(ii) **Minimum Standards for Training Programs.**—Programs used to implement a member's or member organization's training plan must be appropriate for the business of the member or member organization and, at a minimum, must cover the following matters concerning securities products, services and strategies offered by the member or member organization:

- a. General investment features and associated risk factors;
- b. Suitability and sales practice considerations; and
- c. Applicable regulatory requirements.

(iii) **Administration of Continuing Education Program.**—Each member and member organization must administer its continuing education program in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) **Participation in the Firm Element.**—Covered registered persons included in a member's or member organization's plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the member or member organization.

(4) **Specific Training Requirements.**—The Exchange may require a member or member organization, either individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the Exchange deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

• • • ***Supplementary Material:***

.10 For purposes of this Rule, the term "registered person" means any member, principal executive, registered representative, or other person registered or required to be registered under Exchange rules, but does not include any such person whose activities are limited solely to the transaction of business on the Floor with members or registered broker-dealers.

.20 For purposes of this Rule, the term "customer" means any natural person or any organization, other than a registered broker or dealer, executing transactions in securities or other similar instruments with or through, or receiving investment banking services from, a member or member organization.

.30 Any registered person who has terminated association with a registered broker or dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a registered broker or dealer shall participate in the Regulatory Element of the continuing education program at such intervals that apply (second registration anniversary and every three years thereafter) based on the initial registration anniversary date, rather than based on the date of reassociation in a registered capacity.

Any former registered person who becomes reassociated in a registered capacity with a registered broker or dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety (second registration anniversary and every three years thereafter), based on the most recent registration date.

.40 Any registration that is deemed inactive for a period of two calendar years pursuant to section (a)(2) of this Rule for failure of a registered person to complete the Regulatory Element, shall be terminated. A person whose registration is so terminated may become registered only by reapplying for registration and satisfying applicable registration and qualification requirements of Exchange rules (see Rule 345 - Equities).

.50 Pursuant to Rule 345 A(b)(1) - Equities, all persons registered as research analysts and supervisory analysts pursuant to Rule 344 - Equities must participate in a Firm

Element Continuing Education program that includes training in applicable rules and regulations, ethics, and professional responsibility.

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### **Rule 388 - Equities. Prohibition Against Fixed Rates of Commission**

*This Rule is not applicable to trading on the Pillar trading platform.*

The Exchange does not require its members to charge fixed or minimum rates of commission in connection with transactions effected on, or effected by the use of the facilities of the Exchange. Nothing in the Rules or practices of the Exchange shall be construed as conferring authority upon members, or persons associated with members to agree or arrange, directly or indirectly, for the charging of fixed rates of commission.

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### **Rule 411 - Equities. Erroneous Reports**

*This Rule is not applicable to trading on the Pillar trading platform.*

**(a)(i) Erroneous Reports.**— Except as provided in Rule 123B(b) - Equities and in paragraph (ii) below, the price at which an order is executed shall be binding notwithstanding the fact that an erroneous report in respect thereto may have been rendered. A member must offer a corrected report to the non-member, which is rejected by an individual authorized to act for the non-member, before relying on paragraph (ii) below.

(ii) A non-member for whom a member executed an order but rendered an erroneous report thereto may treat the terms of the execution report as though they were the terms of the actual auction market trade, provided:

- (1) the price and size of the erroneous report are within the range of prices and sizes in the subject security reported on the Consolidated Tape on the day in which the order was executed;
- (2) the member reports the nature of the error to the customer, and whether the error was favorable or unfavorable to the non-member;
- (3) the member documents, on trade-by-trade basis, the name of individual authorized to accept the erroneous report for the non-member, the amount of the error, and whether the error was in the non-member's or member's favor;
- (4) except as provided in (6) below, the member treats the erroneous report as though it were an erroneous trade, and takes the opposite side of the report, and the opposite side

of the actual auction market trade, into his or her error account or the error account of the member organization;

(5) the member assumes any loss occasioned by the erroneous report, with any profit paid to the New York Stock Exchange Foundation;

(6) a DMM may accommodate the member and take the error into the DMM's error account, so long as the member documents the DMM's taking in the error, and documents the non-member understandings indicated in paragraph (2) above, the DMM documents taking in the error to accommodate the member, and the member assumes any loss, with any profit going to the New York Stock Exchange Foundation.

(iii) Except as provided in (iv) below, a report shall not be binding and must be rescinded if an order was not actually executed but was in error reported to have been executed; an order which was executed, but in error reported as not executed, shall be binding; provided, however, when a member who is on the Floor reports in good faith the execution of an order entrusted to him by another member or member organization and the other party to that transaction does not know it, the member or member organization to whom such report was rendered and the member broker who made the report shall treat the transaction as made for the account of the member who made the report, or the account of his member organization, if the price and size of the transaction were within the price and volume of transactions in the security at the time that the member who made the report believed he had executed the order. A detailed memorandum of each such transaction shall be prepared and filed with the Exchange by the member assuming the transaction.

(iv) A Floor broker who fails to execute a not held order because of the Floor broker's error as to symbol, side or price, but reports to the customer the order had been executed in accordance with the customer's instructions, may treat the terms of the execution report as though they were the terms of a trade, provided:

(1) the price and size of the erroneous report are within the range of prices and sizes in the subject security reported on the Exchange portion of the Consolidated Tape on the day in which the order was erroneously reported;

(2) the Floor broker reports the error to the customer, and whether the error was favorable or unfavorable to the customer;

(3) the Floor broker documents, on a trade-by-trade basis, the name of individual authorized to accept the erroneous report for the customer, the amount of the error, and whether the error was in the customer's favor;

(4) the Floor broker treats the erroneous report as though it were an erroneous trade and his or her error account or the error account of the member organization becomes the opposite side to the report; and



(5) the Floor broker assumes any loss occasioned by the erroneous report, and pays any profit to the New York Stock Exchange Foundation.

(b)(1) **Conduct of Accounts.**—"Bunching" odd/lot orders.—A member or member organization shall not combine the orders given by several different customers to buy or sell odd-lots of the same stock, into a round-lot order without the prior approval of the customers interested.

(2) Recording of transactions in accounts.—Transactions in securities shall be recorded in accounts no later than settlement date.

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## **Rule 440 - Equities. Books and Records**

*This Rule is not applicable to trading on the Pillar trading platform.*

Every member not associated with a member organization and every member organization shall make and preserve books and records as the Exchange may prescribe and as prescribed by Rule 17a-3. The recordkeeping format, medium and retention period shall comply with Rule 17a-4 under the Securities Exchange Act of 1934.

• • • *Supplementary Material:*

.10 Reserved.

.20 Reserved.

### **[Rule 440A - Equities. Reserved**

Reserved.]

## **Rule 440B - Equities. Short Sales**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) **Definitions.** For purposes of this Rule, the terms "covered security", "listing market", and "national best bid" shall have the same meaning as such terms have in Rule 201 of Regulation SHO.

(b) **Short Sale Price Test.** Except as provided in paragraph (f), (g) and (h) below, Exchange systems will not execute or display a short sale order with respect to a covered security at a price that is less than or equal to the current national best bid if the price of that security decreases by 10% or more, as determined by the listing market for the security, from the security's Official Closing Price, as defined in Rule

123C - Equities, as of the end of regular trading hours on the prior day ("Trigger Price").

- (c) **Determination of Trigger Price.** For covered securities for which the Exchange is the listing market, Exchange systems shall determine whether the short sale price test restrictions of Rule 201 of Regulation SHO have been triggered (i.e., whether a transaction in a covered security has occurred at a Trigger Price) and shall immediately notify the single plan processor responsible for consolidation of information for the covered security pursuant to Rule 603(b) of Regulation NMS.

(1) The Exchange will not calculate the Trigger Price of a covered security until it opens trading for that security.

- (d) **Duration of Short Sale Price Test.** If the Short Sale Price Test is triggered by the listing market with respect to a covered security, the Short Sale Price Test shall remain in effect until the close of trading on the next trading day, as provided for in Regulation SHO Rule 201(b)(1)(ii) (the "Short Sale Period").

(1) If the Exchange determines pursuant to Rule 128 - Equities that the Short Sale Price Test for a covered security was triggered because of a clearly erroneous execution, the Exchange may lift the Short Sale Price Test before the Short Sale Period ends for a security for which the Exchange is the listing market or, for a security listed on another market, notify the other market of the Exchange's determination that the triggering transaction was a clearly erroneous execution. The Exchange may also lift the Short Sale Price Test before the Short Sale Period ends, for a covered security for which the Exchange is the listing market, if the Exchange has been informed by another exchange or a self-regulatory organization ("SRO") that a transaction in the covered security that occurred at the Trigger Price was a clearly erroneous execution, as determined by the rules of that exchange or SRO.

(2) If the Exchange determines that the prior day's closing price for a listed security is incorrect in Exchange systems and resulted in an incorrect determination of the Trigger Price, the Exchange may correct the prior day's closing price and lift the Short Sale Price Test before the Short Sale Period ends.

- (e) **Re-pricing of Orders during Short Sale Period.** During the Short Sale Period, short sale orders that are limited to the national best bid or lower and short sale market orders will be re-priced by Exchange systems one minimum price increment above the current national best bid ("Permitted Price"). The Permitted Price for securities for which the national best bid is \$1 or more is \$.01 above the national best bid; the Permitted Price for securities for which the national best bid is below \$1 is \$.0001 above the national best bid. To reflect declines in the national best bid, the Exchange will continue to re-price a short sale order at the lowest Permitted Price down to the order's original limit price or, if a Market Order, until the order is filled. Any unexecuted or any unexecuted portion of a short sale Market Order re-

priced to a Permitted Price will rest on the Exchange's Book and be non displayed. Non-displayed orders, including Market Orders, will also be re-priced upward to a Permitted Price to correspond with a rise in the national best bid.

- (1) During the Short Sale Period, immediate or cancel ("IOC") orders requiring that all or part of the order be executed immediately will be executed to the extent possible at a Permitted Price and higher and then cancelled, and will not be re-priced. Inter-market sweep orders not marked "short exempt" will be handled in the same manner as IOC orders.
  - (2) During the Short Sale Period, Exchange systems will not route to an away market short sale orders that have been displayed pursuant to Rule 440B(f) or that have not yet been re-priced consistent with this section and instead will re-price such orders to a Permitted Price.
  - (3) During the Short Sale Period, Exchange systems will mark certain DMM interest as long or short on behalf of the DMM unit based on position information provided by the DMM unit. For such DMM interest, after a security has opened for trading, Exchange systems (i) will not execute, display, or route such DMM short sale interest that is priced at or below the current national best bid and will cancel such DMM interest, and (ii) will cancel any such DMM interest if the execution of the full amount of all DMM sell interest at a price at or below the national best bid would result in a change in the DMM position from long to short.
- (f) **Execution of Permissible Orders during Short Sale Period.** During the Short Sale Period, Exchange systems will execute and display a short sale order without regard to price if, at the time of initial display of the short sale order, the order was at a price above the then current national best bid. Short sale orders that are entered into the Exchange prior to the Short Sale Period but are not displayed will be re-priced as described in (e) above.
- (g) **Short Exempt Orders.** During the Short Sale Period, Exchange systems will execute, display, and route orders marked "short exempt" without regard to whether the order is at a Permitted Price. Exchange systems will accept orders marked "short exempt" at any time when such systems are open for order entry, regardless of whether the Short Sale Price Test has been triggered.
- (h) **Single-Priced Opening, Re-opening and Closing Transactions,** Notwithstanding section (e) above, with respect to the execution of short sale orders in a covered security in any single-priced opening, re-opening or closing transaction during the Short Sale Period, Exchange systems will re-price short sale orders in a covered security as follows:
- (1) Opening - one minimum price increment above the national best bid at 9:30 am;

- (2) Re-opening following a halt or pause in trading - one minimum price increment above the last published Exchange bid prior to such halt or pause in trading; and
- (3) Closing - one minimum price increment above the last published Exchange bid prior to the close.

During a Short Sale Period, Exchange systems will not execute a short sale order for a covered security in a single-priced opening transaction at or below the national best bid at 9:30 a.m., and will not execute a short sale order for a covered security in a single-priced re-opening or closing transaction at or below the last published Exchange bid prior to a halt or pause in trading (in the case of a single-priced re-opening transaction) or at or below the last published Exchange bid prior to the close (in the case of a single-priced closing transaction). For purposes of this section (h), the term "minimum price increment" shall mean \$.01 for securities for which the national best bid or the last published Exchange bid, as the case may be, is \$1 or more, and \$.0001 for securities for which the national best bid or the last published Exchange bid, as the case may be, is below \$1.

• • • ***Supplementary Material:***

**.10 General Rule.**—The discussion of short-selling regulations in the Supplementary material of this rule relates to all trades in listed securities, whenever they occur, including in the after-hours market and after a consolidated transaction reporting system (e.g., the "consolidated tape" of the Consolidated Tape Association) ceases to operate. Members and member organizations also should familiarize themselves with the provisions of Regulation SHO, under the Exchange Act.

A "short sale" means any sale of a security, which the seller does not own or any sale that is consummated by the delivery of a security borrowed by, or for the account of, the seller. (See .13 below, which refers to Regulation SHO, Rule 200(b)-(f) to determine ownership of securities).

**.11 Securities subject to the rules.**—Regulation SHO applies, generally, to all equity securities, other than U.S. Government or municipal securities.

**.12 Marking of orders: customer's written agreement regarding designation of sell orders.**—Every sell order (including odd lots) in a security subject to the rule that is executed on any exchange or by means of any instrumentality of interstate commerce, whether originated or handled by a member, must be marked to indicate whether it is "long", "short", or "short exempt". The abbreviation "LS" or "SS" or "SSE" may be used. A member (including any Floor broker) or any employee of a member organization may mark an order "long" only if (1) the seller is deemed to own the security being sold pursuant to Regulation SHO, Rule 200(a)-(f), under the Exchange Act and either: (i) the security to be delivered is in the physical possession or control of the broker or dealer; or (ii) it is reasonably expected that the security will be in the physical possession or control of the broker or dealer no later than the settlement of the transaction. A member or any

employee of a member organization may mark an order "short exempt" if the member or employee has a reasonable basis to believe that the order meets one of the exceptions in Rule 201(d) of Regulation SHO. In addition, a member or employee may mark an order "short exempt" during a Short Sale Period (as defined in Rule 440B - Equities) if the order meets the conditions in Rule 201(c) of Regulation SHO.

**.13 Ownership of securities.**—Ownership of securities shall be determined in accordance with Rule 200(a)-(f) of Regulation SHO, under the Exchange Act. **.15 Price** at which short sales may

***Initial sale may be short sale*** .—An interpretation has been made by the Staff of the Securities and Exchange Commission that the initial sale of a security newly listed on the Exchange may be a short sale.

**.14 "When issued" and "when distributed" securities.**—The rules apply to the sale of "when issued" and "when distributed" securities in the same manner as issued securities. In the case of a sale of a "when issued" or "when distributed" security, the last "regular way" sale price means the last price at which the "when issued" or "when distributed" security has sold and the "next preceding different price" means the last previous different price at which a sale of such "when issued" or "when distributed" security took place. A person is deemed to be the owner of a "when issued" or "when distributed" security if he has entered into a contract to purchase the same binding on both parties and subject only to the condition of issuance or distribution or, by virtue of his ownership of an issued security, will be entitled to receive, without the payment of consideration, the "when issued" or "when distributed" security, to the extent that he has not already disposed of such "when issued" or "when distributed" security.

**.15 Covering transactions.**—Any covering transactions made shall be consistent with Rule 203(a) of Regulation SHO.

**.16 Loans of securities between members.**—Any broker or dealer may, without inquiry as to the purpose of the loan, lend a security to another broker or dealer. The lending broker or dealer may nonetheless be criminally liable for a violation of the short selling rules if he knows that the borrower intends to violate such rules.

**.17 Reserved.**

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## **Rule 440H - Equities. Activity Assessment Fees**

*This Rule is not applicable to trading on the Pillar trading platform.*

• • • ***Supplementary Material:***

**.10 Statutory background.**—Section 31 of the Securities Exchange Act of 1934 ("Exchange Act"), as amended, requires national securities exchanges and associations to pay to the Securities and Exchange Commission ("SEC") certain fees and assessments on specified securities transactions.

**.20 Calculation and payment of Activity Assessment Fees.**—Each member and each member organization that effects securities transactions upon the Exchange that are defined in Section 31 of the Exchange Act as "covered sales" of securities shall pay to the Exchange Activity Assessment Fees based upon all of their covered sales. The Exchange shall calculate Activity Assessment Fees by multiplying the aggregate dollar amount of covered sales effected upon the Exchange by the member or member organization during the appropriate computational period by the Section 31(b) fee rate in effect during that computational period. Activity Assessment Fees shall be due and payable at such times and intervals as prescribed by the Exchange.

Members and member organizations that cease to effect securities transactions upon the Exchange shall promptly pay to the Exchange any sum due pursuant to this rule.

**.30** Notwithstanding the requirements of this Rule 440H - Equities, Non- Equities Rule 393, Commentary .01, governing fees owed to the SEC in accordance with Section 31 of the Exchange Act ("Section 31 fees"), will also apply to members and member organizations until January 13, 2009. Rule 393, Commentary .01 permits firms to, on a one-time-only basis, voluntarily remit historically accumulated Section 31 fees to the Exchange. These funds will be used to pay the Exchange's current Section 31 fees in conformity with prior representations made by member firms. In addition, a member or member organization may designate all or part of the Exchange accumulated excess held by the Exchange and allocated to such member to be used by the Exchange in accordance with Commentary .01. Finally, to the extent the payment of these historically accumulated funds or Exchange accumulated funds is in excess of the Section 31 fees due the Commission from the Exchange, such surplus shall be used by the Exchange to offset regulatory costs.

#### **Rule 440I - Equities. Records of Compensation Arrangements—Floor Brokerage**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Every member not associated with a member organization and each member organization primarily engaged as an agent in executing transactions on the Floor of the Exchange must maintain a written record including a description of each type of compensation arrangement entered into with other members, member organizations, non-member organizations and customers in connection with transactions executed on the Floor of the Exchange.

(b) Records maintained in accordance with paragraph (a) of this Rule must identify, by name, the members, member organizations, non-member organizations and customers who are parties to each type of compensation arrangement in effect.

• • • **Supplementary Material:**

.10 For purposes of paragraphs (a) and (b) of this Rule 440I, the requirement to maintain a written record of each type of compensation arrangement shall not apply to:

(a) any compensation arrangement wherein a member or member organization receives gross compensation of less than \$5,000 per year from any member, member organization, non-member organization or customer; or

(b) any compensation arrangement involving transmission of orders solely through the Exchange's electronic order routing system.

.20 A member or member organization is deemed to be primarily engaged as an agent in executing transactions on the Floor of the Exchange if at least 75% of its revenue is derived from floor brokerage.

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**Rule 500 - Equities. Applicability**

(a) The Rules of this series (Rules 500 through 525 - Equities) shall apply to all transactions involving a UTP Security, as that term is defined in Rule 501(d) - Equities, that is granted unlisted trading privileges on the Exchange including the handling of orders, the conduct of accounts, and other matters relating to the trading of UTP Securities on the Exchange; provided, however, that the Rules of this series (Rules 500 - 525 – Equities) will not be applicable to trading on the Pillar trading platform. Except to the extent that the provisions of Rules 500-525 - Equities specifically conflict, all other Equities rules shall apply to transactions involving UTP Securities conducted on the Exchange. If any provisions of Rules 500-525 - Equities conflict with any other Equities rule, the Rule 500 series shall govern. Section 9A or 9B, as applicable, of the Office Rules shall also apply to all transactions involving UTP Securities conducted on the Exchange.

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**Rule 600 - Equities. Arbitration**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Duty to Arbitrate. (i) Any dispute, claim or controversy between or among member organizations and/or associated persons shall be arbitrated pursuant to the FINRA Codes of Arbitration Procedure; and, (ii) any dispute, claim or controversy between a customer or non-member and a member organization and/or associated person arising in connection with the business of such member organization and/or in connection with the activities of an associated person, shall be arbitrated pursuant to FINRA Codes of Arbitration Procedure as provided by any duly executed and enforceable written

agreement, or upon the demand of the customer or non-member. Such obligation to arbitrate shall extend only to those matters that are permitted to be arbitrated under FINRA Codes of Arbitration Procedure.

(b) Referrals. The Exchange may receive, investigate and take disciplinary action with respect to any referral it receives from a FINRA arbitrator of any matter which comes to the attention of such arbitrator during and in connection with the arbitrator's participation in a proceeding, either from the record of the proceeding or from material or communications related to the proceeding, that the arbitrator has reason to believe may constitute a violation of the Exchange's Rules or the federal securities laws.

(c) Failure to Arbitrate or to Pay an Arbitration Award. Any member organization or associated person who fails to submit to arbitration a matter required to be arbitrated pursuant to this Rule, or that fails to honor an arbitration award made pursuant to the FINRA Codes of Arbitration Procedure, or made under the auspices of any other self-regulatory organization, shall be subject to disciplinary proceedings in accordance with Rule 476, or the Rule 8000 and 9000 Series, as applicable.

(d) Other Actions. The submission of any matter to arbitration as provided for under this Rule shall in no way limit or preclude any right, action or determination by the Exchange that it would otherwise be authorized to adopt, administer or enforce.

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## **Off-Hours Trading Facility Rules (Rules 900 - Equities—907 - Equities)**

*Rules 900 – Equities – Rule 907 – Equities will not be applicable to trading on the Pillar trading platform*

### **Rule 900 - Equities. Off-Hours Trading: Applicability and Definitions**

#### **Applicability of 900 - Equities Series**

(a) The Rules in this 900 - Equities series (Rules 900 - Equities through 906) shall apply to (i) all Exchange contracts made on the Exchange through its "Off-Hours Trading Facility" (as this Rule defines that term) and (ii) the handling of orders, and the conduct of accounts and other matters, relating to trading through that facility.

#### **Applicability of Other Exchange Rules**

(b) As modified by this Rule 900 - Equities, all other Exchange Rules shall also so apply, except that the following shall *not* so apply:

(i) all provisions pertaining to Regulation NMS in the incorporated Rules; and



(ii) Rule 45 - Equities (Application of Rules) through Rule 128B - Equities (Publications of Changes, Corrections, Cancellations or Omissions and Verification of Transactions), except that the following *shall* apply:

**Dealings upon the Exchange**

51 - Equities	(Hours for Business)
52 - Equities	(Dealings on the Exchange—Hours)
55 - Equities	(Unit of Trading—Stocks and Bonds)
56 - Equities	(Unit of Trading—Rights)

**Auction Market—Bids and Offers**

63 - Equities	("When Issued"—"When Distributed")
78 - Equities	(Sell and Buy Orders Coupled at Same Price)

**Members Dealing for Their Own Accounts**

93 - Equities	(Trading for Joint Account) (paragraphs (a) and (c) only)
94 - Equities	(Designated Market Makers' or Odd-Lot Dealers' Interest in Joint Accounts)
98 - Equities	(Operation of a DMM Unit)
98A - Equities	(Restrictions on Persons or Parties Affiliated with a DMM Unit) (except for the second sentence of that Rule's first paragraph)

**DMMs, Odd-Lot Brokers, and Registered Traders**

104 - Equities	(Dealings and Responsibilities of DMMs)
104T - Equities	(Dealings by DMMs) (paragraph (a) of Supplementary Material .13 only)
104A - Equities	(DMMs—General) (Supplementary Material .50 only)
105 - Equities	(DMMs' Interest in Pools) as provided in paragraph (d)(v) of this Rule
118 - Equities	(Orders To Be Reduced and Increased on Ex-Date) as provided in paragraph (d)(v) of this Rule
121 - Equities	(Records of DMM Units)
128B - Equities	(Publications of Changes, Corrections, Cancellations or

Omissions and Verification of  
Transactions)

**Modification of Incorporated Rules**

(c) For the purpose of incorporating Exchange Rules into this 900 - Equities-series pursuant to paragraph (b) of this Rule.

(i) references in the incorporated Rules to "on the Exchange" shall include the "Off-Hours Trading Facility"; and

(ii) references to "on the Floor" shall exclude "the Off-Hours Trading Facility" except that, in Supplementary Material .50 of Rule 104A - Equities, the reference to "on the Floor" shall refer to "through the Off-Hours Trading Facility."

**Interaction among Off-Hours Trading Rules and Floor Rules**

(d)(i) For the purpose of applying Supplementary Material .40 of Rule 36 - Equities (Communications between Exchange and Members' Offices) to Off-Hours Trading, the limit of time within which a member or member organization executing a transaction through the Off-Hours Trading Facility must report to the member or organization carrying the customer's account shall be 15 minutes after the close of the facility on the date of the transaction.

(ii) Reserved.

(iii) The limitations on the security (or, in the case of a DMM, specialty security) transactions of a DMM contained in Rule 104 - Equities shall not apply to transactions effected through the Off-Hours Trading Facility. However, the member shall include in any calculation of his aggregate position in a security any position in the security that the member acquires through the Off-Hours Trading Facility.

(iv) For the purpose of applying Rule 118 - Equities to Off-Hours Trading, securities will not become quoted ex-dividend, ex-distribution, ex-rights or ex-interest on any day until after the close of Off-Hours Trading.

**Definitions**

(e) As used in this 900 - Equities series of Rules and other Rules in their application to Off-Hours Trading, the following terms shall have the meanings specified below:

(i) The term "aggregate-price order" means an order to buy or sell a group of securities, which group includes no fewer than 15 Exchange-listed or traded securities having a total market value of \$1 million or more.

(ii) The term "closing price" means the price established by the last "regular way" sale in a security prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session, as determined by the Exchange.

(iii) The term "closing-price order" means an order to buy or sell a security at its closing price.

(iv) The term "guaranteed price coupled order" means an order to buy for a minimum of 10,000 shares coupled with an order to sell the same quantity of the same security. One side of the guaranteed price coupled order must be for the account of a member organization and the other side must be for the account of one of its customers. Such orders must be entered and priced in accordance with Rule 907 - Equities.

(v) The term "Off-Hours Trading Facility" means the Exchange facility that permits members and member organizations to effect securities transactions on the Exchange pursuant to this 900 - Equities series of Rules. The term "Off-Hours Trading" refers to trading through that facility.

#### **Rule 901 - Equities. Securities to Be Traded**

Only such equity securities as the Exchange may specify shall be dealt in through the Off-Hours Trading Facility. Any such security must be listed, or otherwise admitted to dealing, on the Exchange.

#### **Rule 902 - Equities. Off-Hours Trading Orders**

##### **Entry of Orders**

(a)(i) Reserved.

##### **Closing-Price Coupled Orders**

(ii)(A) Reserved.

(B) A member or member organization may enter a closing-price order to buy (sell) a security for the account of the DMM registered in such security coupled with a closing price order to sell (buy) for the account of any member or member organization which has agreed to offset all or part of any market-on-close imbalance that existed in the stock prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session.

(C) A member or member organization may enter a closing price order to buy (sell) a security for the account of the specialist registered in such security coupled with a closing price order to sell (buy) for the account of any member or member organization where such member or member organization is acting to offset a transaction made in error. Both parties to the closing price transaction must maintain a specific written record that the purpose of the coupled order was to close out an error.

### **Aggregate-Price Coupled Orders**

(iii) A member or member organization may only enter into the Off-Hours Trading Facility an aggregate-price order to buy (sell) that is coupled with an aggregate-price order to sell (buy) the same quantities of the same securities.

(b) Reserved.

### **Delivery Terms**

(c) Transactions effected through the Off-Hours Trading Facility pursuant to aggregate-price coupled orders may be for delivery at such time as the parties entering the orders may agree. All other transactions effected through the Off-Hours Trading Facility shall be for delivery "regular way" (as Rule 64 - Equities (Bonds, Rights and 100-Share-Unit Securities) refers to that term).

(d) Reserved.

(e) Reserved.

### **Marking of Sell Orders**

(f) Members and member organizations shall mark all sell orders as "long" as appropriate.

### **Odd-Lots and Partial Round Lots**

(g) A member or member organization may only enter an odd lot or partial round lot order into the Off-Hours Trading Facility if the order is an aggregate-price order entered on a coupled basis pursuant to clause (a)(iii) of this Rule.

### **• • • *Supplementary Material:***

.10 Only the orders described in this Rule are eligible for Off-Hours Trading

### **Rule 903 - Equities. Off-Hours Transactions**

(a) Reserved.

### **Priority of Coupled Orders**

(b) Each side of an aggregate-price order entered on a coupled basis pursuant to paragraph (a)(iii) of Rule 902 - Equities shall be executed against the other side without regard to the priority of other orders entered into the Off-Hours Trading Facility.

### **Binding Nature**

(c) A transaction described in paragraph (b) of this Rule is an Exchange contract that is binding in all respects and without limit on any member or member organization that enters any of the transaction's component orders. The member or member organization shall be fully responsible for the Exchange contract.

### **Executions of Orders**

(d)(i) Coupled aggregate-price orders shall be executed upon entry.

(ii) A closing price order to buy (sell) a security for the account of the DMM registered in such security and approved by a Floor Official, coupled with a closing price order to sell (buy) for the account of any member, member organization or non-member which has agreed to offset all or part of any market-on-close imbalance that existed in the stock prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session, shall be executed upon entry.

## **Rule 905 - Equities. Off-Hours Trading Reports and Recordkeeping**

### **Off-Hours Trading Reports**

(a) Each member and member organization shall report to the Exchange such information, in such manner, and at such times, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, but not limited to, reports relating to Off-Hours Trading orders, proprietary or agency activity and activity in related instruments.

### **Off-Hours Trading Records**

(b) Each member and member organization shall maintain and preserve such records, in such manner, and for such period of time, as the Exchange may from time to time prescribe in respect of Off-Hours Trading, including, but not limited to, records relating to orders, cancellations, executions and trading volume, proprietary trading activity, activity in related instruments and securities and other records necessary to allow the member or member organization to comply with the reporting provisions of paragraph (a) of this Rule.

## **Rule 906 - Equities. Impact of Trading Halts on Off-Hours Trading**

(a) Reserved.

### **Corporate Developments during Off-Hours Trading Session**

(b) A closing price order to buy (sell) a security for the account of the DMM registered in such security and approved by a Floor Official, coupled with a closing price order to sell (buy) for the account of any member, member organization or non-member which has agreed to offset all or part of any market-on-close imbalance that existed in the stock

prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session, shall not be canceled or precluded from entry as a result of corporate developments during the Off-Hours Trading Session.

• • • ***Supplementary Material:***

.10 Notwithstanding a trading halt in any security (other than a trading halt pursuant to Rule 80B - Equities (Trading Halts Due to Extraordinary Market Volatility)) or a corporate development, members and member organizations may enter aggregate-price orders into the Off-Hours Trading Facility pursuant to paragraph (a)(iii) of Rule 902 - Equities.

**Rule 907 - Equities. Guaranteed Price Coupled Orders**

(a) A member organization may enter into the Off-Hours Trading Facility a guaranteed price coupled order or an order to be executed at the volume weighted average price ("VWAP"), subject to the following:

- (i) the member organization has accepted from its customer prior to the close of trading of the Exchange's 9:30 a.m. to 4:00 p.m. trading session an order of any size, and has guaranteed its customer a specific price with respect to the entire order or the VWAP;
  - (ii) the member organization has recorded, along with all required details of the order, the guaranteed price or that the customer has elected the order be executed at the VWAP and has documented the basis upon which the VWAP is to be calculated;
  - (iii) the guaranteed price coupled order or an order to be executed at the VWAP is for that portion of the customer's order that could not be executed prior to 4:00 p.m.; in the case of either type of order, the entire order would also be eligible for execution at the close of trading if there is no execution prior to 4:00 p.m.;
  - (iv) the guaranteed price coupled order or VWAP order is priced at a price that ensures that the entire order is executed at a price that is no worse than the guaranteed price or VWAP;
  - (v) the member organization designates the guaranteed price coupled order as Crossing Session III and the VWAP order as Crossing Session IV.
- (b) A guaranteed price coupled order or VWAP order may be entered at any time following the close of the 9:30 a.m. to 4:00 p.m. trading session on the Exchange until the close of the Consolidated Tape.
- (c) A guaranteed price coupled order may be priced at a price that is outside the range of prices for the subject security during the 9:30 a.m. to 4:00 p.m. trading session.

(d) A guaranteed price coupled order or VWAP order shall be immediately executed upon entry into the Off-Hours Trading Facility.

(e) Upon the close of the Consolidated Tape, the Exchange shall print each trade reported through the Off-Hours Trading Facility as guaranteed price coupled orders or VWAP orders. Guaranteed price coupled orders shall be designated as Crossing Session III. VWAP orders shall be designated as Crossing Session IV.

(f) Member organizations shall not enter a guaranteed price coupled order or VWAP order pursuant to paragraph (a) of this Rule if the order is for a security that was subject to a trading halt at the time the Exchange's 9:30 a.m. to 4:00 p.m. trading session ended.

### **Automatic Executions (Rules 1000 - Equities—1004 - Equities)**

#### **Rule 1000 - Equities. Automatic Executions**

*This Rule is not applicable to trading on the Pillar trading platform.*

##### **Maximum Order Size for Automatic Executions**

Market and limit orders of such size as the Exchange may specify from time to time are eligible to initiate or participate in automatic executions. Orders up to 1,000,000 shares are eligible for automatic execution. Incoming orders of more than 1,000,000 shares that are marketable on arrival will be rejected. Upon advance notice to market participants, the Exchange may increase the order size eligible for automatic executions up to 5,000,000 shares on a security-by-security basis.

##### **Maximum Systems Order Size Accepted by Exchange Systems**

Exchange systems shall accept a maximum order size of up to 25,000,000 shares, except Floor broker systems shall accept a maximum order size of up to 99,000,000 shares.

(a) An automatically executing order shall receive an immediate, automatic execution against orders reflected in the Exchange published quotation, orders on the Exchange book, including Floor broker agency file interest ("e-Quotes"), Floor broker proprietary file interest ("G-quotes"), DMM interest, and interest placed in the Exchange's systems by DMMs pursuant to a Capital Commitment Schedule in accordance with, and to the extent provided by Exchange rules, including Rules 13 - Equities, 60 - Equities, 70 - Equities, 72 - Equities, and 104 - Equities, and shall be immediately reported as Exchange transactions, unless:

(i) trading in the subject security has been halted; or

(ii) a block-size transaction as defined in Rule 127.10 - Equities that involves orders in the Exchange book is being reported manually; Automatic executions will resume when manual reporting is concluded.

(b) Automatic executions will resume in the same way autoquoting will resume, as provided in Rules 60(d)(ii) - Equities.

(c) Trading Collar. An incoming Market Order to buy (sell) will not execute or route to another market center at a price above (below) the Trading Collar. An unexecuted Market Order will be subject to a Trading Collar upon each evaluation to trade or route such order.

(i) Calculation of the Trading Collar. The Trading Collar shall be a specified percentage above the National Best Offer ("NBO") for buy orders and below the National Best Bid ("NBB") for sell orders. If the NBB or the NBO is greater than \$0.00 up to and including \$25.00, the specified percentage shall be 10%. If the NBB or NBO is greater than \$25.00 up to and including \$50.00, the specified percentage shall be 5%. If the NBB or NBO is greater than \$50.00, the specified percentage shall be 3%. If the NBBO is crossed, the Exchange shall use the Exchange Best Offer ("BO") instead of the NBO for buy orders and the Exchange Best Bid ("BB") instead of the NBB for sell orders. If there is no NBB or BB, the lower boundary of the Trading Collar is zero. If there is no NBO or BO, the upper boundary of the Trading Collar is set to the maximum price that the System could handle. Trading Collars for both buy and sell orders that are not in the minimum price variation ("MPV") for the security, as defined in Supplemental Material .10 to Rule 62 - Equities, will be rounded down to the nearest price at the applicable MPV.

(ii) Trading Collars are applicable only when automatic executions are in effect. An incoming market order to buy (sell) shall execute and/or route up (down) to (and including) the Trading Collar and any remaining interest shall be cancelled, including if the Trading Collar equals a Price Band, as defined in Rule 80C - Equities. Unless it is a non-routable order to buy (sell), the buy (sell) order would route to all markets at or below (above) the Trading Collar. If there is no execution opportunity at the Exchange at a price above (below) the NBO (NBB) and at or below (above) the Trading Collar, a buy (sell) order, or remainder of partially executed order, that is priced at or above (below) the Trading Collar would not route and shall be cancelled.

(iii) During a Short Sale Price Test, if the NBBO is crossed, short sale orders that would be re-priced to a Trading Collar shall be cancelled.

(d) Capital Commitment Schedule

(i) For each security in which it is registered, a DMM unit may place within Exchange systems a pool of liquidity to be available to fill or partially fill incoming orders in automatic executions and to be known as a "Capital Commitment Schedule" ("CCS") pursuant to the provisions of subparagraph (e) and (g) below. The CCS is the DMM unit's commitment to trade a specified number of shares at specified price points in reaction to incoming contra side interest that is equal to or greater than one round lot, received through Exchange systems. CCS interest shall be used to trade at the Exchange



BBO, at prices better than the Exchange BBO and at prices outside the Exchange BBO. CCS interest shall supplement displayed and non-displayed interest of the DMM on the Exchange book.

(ii) CCS interest must be for a minimum of one round lot of a security and be entered at price points that are at, inside or away from the Exchange BBO.

(e) Executions at and Outside the Exchange Best Bid or Offer

(i) Automatically executing orders to buy shall trade with the Exchange published best offer. Automatically executing orders to sell shall trade with the Exchange published best bid. All displayed interest at the Exchange BBO shall be allocated in accordance with Rule 72 - Equities.

(ii) Where the volume associated with the Exchange published best bid (offer) is insufficient to fill an automatically executing order in its entirety, other than Regulation NMS-compliant Immediate or Cancel Order or Do Not Ship Order, the unfilled balance of such order (the "residual") shall trade with available contra-side interest in the following order:

(A) reserve interest at the Exchange published best bid (offer);

(B) DMM unit CCS interest at the Exchange published best bid (offer) if such CCS interest will fill the balance of such order at the best bid (offer). Any CCS interest eligible to participate in the execution at the Exchange BBO shall yield to all other interest at that price; or

(C) if a residual remains, it shall then "sweep" the Exchange book as set forth in (iii) below, until it is executed in full, its limit price, if any, is reached, a Trading Collar or Price Band is reached, or in the case of a Reg. NMS-compliant IOC order or Do Not Ship order, as described in Rule 13 - Equities, trading at a particular price on the Exchange would require cancellation because the order cannot be routed to another market center, whichever occurs first.

(iii) Automatic Execution of Orders in Executions Outside the Exchange BBO ("Sweeps")

(A) During a sweep (i.e., a trade that takes place at prices outside the Exchange BBO), the residual shall trade with the orders in the Exchange book and any broker agency interest files ("e-Quotes"), broker proprietary interest files ("G-Quotes") and/or DMM interest files capable of execution in accordance with Exchange rules, at each successive price lower than the displayed bid (in the case of a sweeping sell order) or higher than the displayed offer (in the case of a sweeping buy order) unless the interest reaches a Trading Collar or Price Band, whichever is reached first.

- (1) If the contra side order is not executed in full at the Exchange BBO, Exchange systems will then calculate the unfilled volume of the contra side order and review the additional displayed and non-displayed interest available in the Exchange book including the CCS interest submitted by the DMM unit and any protected bids or offers on markets other than the Exchange ("away interest") to determine the price at which the remaining volume of the contra side order can be executed in full. This is the "completion price".
- (2) Exchange systems will then identify the next price that is one minimum price variation ("MPV") (as that term is defined in Rule 62 - Equities) or more inside the completion price (i.e., for an incoming contra side order to buy, one MPV lower, and for an incoming contra side order to sell, one MPV higher) at which the maximum volume of CCS interest exists to trade with the residual volume of the contra side order. This is the "better price" for CCS interest. The residual amount of the contra side order will be executed at the better price against the displayed, non-displayed and CCS interest, with CCS interest yielding to any other interest in Exchange systems at the better price.
- (3) Any remaining volume of the contra side order that is unfilled following the trade with the CCS interest will trade against displayable and non-displayable interest pursuant to Rule 72 - Equities governing parity, but not CCS interest, at the price point at which the contra side order will be completed.
- (4) During a sweep transaction, if Exchange systems review the displayed and non-displayed interest available in the Exchange book (including the CCS interest submitted by the DMM unit) and any protected bids or offers on markets other than the Exchange ("away interest") and determine that the order cannot be executed in full because: there is insufficient volume up to the order's limit price, if any, then Exchange systems may partially fill the order utilizing CCS interest when the DMM has designated such CCS interest for partial execution.

CCS interest shall be accessed by Exchange systems to partially fill Incoming Regulation NMS-compliant Immediate or Cancel Orders, Exchange Immediate or Cancel Orders and any order whose partial execution will result in a remaining unfilled quantity of less than one round lot even if such CCS interest is not designated for partial execution.

CCS interest utilized in the partial execution of an order will execute against the remaining shares of the incoming order at the order's limit price, if any.

- (5) CCS interest may only participate once in the execution of a contra side order during a sweep.

(B) Where a bid or offer protected from a trade-through by Securities and Exchange Commission rule is better than an execution price during a sweep, the portion of the sweeping residual that satisfies the size of such better priced protected bid or offer

("away interest") will be automatically routed as an order to the market center publishing such better protected bid or offer except with respect to Regulation NMS compliant IOC orders or Do Not Ship orders, as described in Rule 13 - Equities. Such commitments to trade to satisfy away interest will be transmitted only after CCS interest has participated in an execution on the Exchange pursuant to the procedures contained in section (d)(iii) of this Rule.

(C) During a sweep, sell short orders, must comply with the conditions outlined in the Exchange Rule 440B.

(iv) Any residual of an auto ex limit order remaining after the sweep described in (d)(ii) above shall be displayed as a limit order in the Exchange book and will be bid (offered) at the order's limit price, if any.

(A) Exceptions:

Residuals will be cancelled in the manner described in Rule 13 for the following order types:

- (i) Regulation NMS-compliant Immediate or Cancel orders;
- (ii) NYSE Immediate or Cancel orders; and
- (iii) Intermarket sweep orders.

Auto ex orders that cannot be immediately executed shall be displayed as limit orders in the auction market.

(f) Price Improvement Offered by CCS Interest

(1) CCS interest may trade inside the Exchange BBO with interest arriving in the Exchange market that:

- (A) Will be eligible to trade at or through the Exchange BBO; or
- (B) Will be eligible to trade at the price of interest in Exchange systems representing non displayable reserve interest of Reserve Orders and Floor broker agency interest files reserve interest ("hidden interest") or MPL Orders; or
- (C) Will be eligible to route to away market interest for execution

if the total volume of CCS interest, plus d-Quote interest in Floor broker agency interest files, plus any interest represented by hidden interest would be sufficient to fully complete the arriving interest at a price inside the Exchange BBO.

(2) In such an instance, the Exchange system will determine the price point inside the Exchange BBO at which the maximum volume of CCS interest will trade, taking into account the volume, if any, available from d-Quotes and hidden interest. The arriving interest will then be executed at that price, with all interest (CCS, d-Quote, hidden interest) trading on parity.

(g) CCS Trades With Non-Marketable Interest

(1) For purposes of this section, the term "non-marketable" means trading interest (i.e. displayable and non-displayable) that is at a price higher than the current Exchange bid (but below the current Exchange offer) or lower than the current Exchange offer (but above the current Exchange bid) including better bids and offers on other market centers.

(2) CCS interest may trade with non-marketable interest where such non-marketable interest will better the Exchange BBO (or will cancel in the case of an arriving IOC order) if the incoming interest may be executed in full by all interest available in the Exchange book including CCS interest and d-quotes. Such trade will take place at the limit price of the arriving non-marketable interest. All interest trading with the incoming interest will trade on parity.

• • • ***Supplementary Material:***

.10 DMM interest that would be required to route on arrival will be cancelled when there is same side resting displayable buy (sell) interest (that is not a g-Quote or DMM interest to buy (sell)) that is locking or crossing the PBO (PBB). Certain DMM interest that would increase the displayed quantity of similarly-entered resting DMM interest to buy (sell) will be rejected when the resting DMM interest is locked or crossed by a protected away quote.

**Rule 1001 - Equities. Execution of Automatically Executing Orders**

*This Rule is not applicable to trading on the Pillar trading platform.*

(a) Subject to Rule 1000 - Equities, automatically executing orders shall be executed and immediately reported. The contra side of the execution shall be as follows:

(i) When a bid or offer is established as the first made at a particular price and such bid or offer is the only interest when such price is or becomes the Exchange BBO (the "setting interest"), such setting interest shall be entitled to priority for allocation of executions at that price as described in Rule 72 - Equities;

(ii) all bids or offers shall receive a split of executions in accordance with Rule 72 - Equities;

(iii) the assignment of the number of shares to each contra side bidder and offer or as appropriate, in accordance with Rule 72 - Equities, with respect to each automatic execution shall be done automatically by the Display Book® system;

(b) No published bid or offer shall be entitled to claim precedence based on size with respect to executions against automatically executing orders.

**Rule 1002 - Equities. Availability of Automatic Execution Feature**

*This Rule is not applicable to trading on the Pillar trading platform.*

Automatic executions in a particular security, shall be available after the Exchange has disseminated a published bid or offer in the relevant security, until the close of regular trading on the Exchange in such security Orders that are entered prior to the dissemination of a bid or offer in the relevant security shall be handled as non-auto-ex market or limit orders except that a Regulation NMS-compliant Immediate or Cancel Order will be cancelled.

**[Rule 1003 - Equities. Equities**

Reserved.]

**Rule 1004 - Equities. Election of Buy Minus and Sell Plus**

*This Rule is not applicable to trading on the Pillar trading platform.*

Automatic executions of transactions reported to the Consolidated Tape shall elect Buy Minus Zero Plus orders electable at the price of such executions. Any Buy Minus Zero Plus orders so elected shall be automatically executed as Market Orders pursuant to Exchange rules.

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