

## **Rules of NYSE National, Inc.**

### **RULE 0 REGULATION OF THE EXCHANGE AND ETP HOLDERS**

#### **Rule 0. Regulation of the Exchange and ETP Holders**

The Exchange and FINRA are parties to a Regulatory Services Agreement ("RSA") pursuant to which FINRA has agreed to perform certain regulatory functions of the Exchange on behalf of the Exchange. Exchange Rules that refer to Exchange staff and Exchange departments should be understood as also referring to FINRA staff and FINRA departments acting on behalf of the Exchange pursuant to the RSA, as applicable. Notwithstanding the fact that the Exchange has entered into an RSA with FINRA to perform certain of the Exchange's functions, the Exchange shall retain ultimate legal responsibility for, and control of, such functions.

### **RULE 1 DEFINITIONS**

#### **Rule 1.1. Definitions**

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

##### **Authorized Trader**

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

##### **Away Market**

(b) 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 ATS's or other broker-dealers that qualify as Away Markets.

##### **BBO**

(c) The term "BBO" means the best bid or offer that is a Protected Quotation on the Exchange. The term "BB" means the best bid that is a Protected Quotation on the Exchange and the term "BO" means the best offer that is a Protected Quotation on the Exchange.

##### **Board and Board of Directors**

(d) The terms "Board" and "Board of Directors" shall mean the Board of Directors of NYSE National, Inc.

### **Core Trading Hours**

(e) 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.

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

(f) 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 Exchange Act.

### **Eligible Security**

(g) The term "Eligible Security" means any equity security (i) 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**

(h) The term "ETP" refers to an Equity Trading Permit issued by the Exchange for effecting approved securities transactions on the Exchange.

### **ETP Holder**

(i) The term "ETP Holder" means the Exchange-approved holder of an ETP.

### **Exchange**

(j) The term "Exchange" means the NYSE National, Inc.

### **Exchange Act**

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

### **Exchange Book**

(l) The term "Exchange Book" refers to the Exchange's electronic file of displayed and non-displayed orders.

### **Exchange Traded Product and UTP Exchange Traded Product**

(m) The term "Exchange Traded Product" means a security that meets the definition of "derivative securities product" in Rule 19b-4(e) under the Exchange Act and a "UTP Exchange Traded Product" means one of the following Exchange Traded Products that trades on the Exchange pursuant to unlisted trading privileges:

- Equity Linked Notes,
- Investment Company Units,
- Index-Linked Exchangeable Notes,
- Equity Gold Shares,
- Equity Index-Linked Securities,
- Commodity-Linked Securities,
- Currency-Linked Securities,
- Fixed-Income Index-Linked Securities,
- Futures-Linked Securities,
- Multifactor-Index-Linked Securities,
- Trust Certificates,
- Currency and Index Warrants,
- Portfolio Depository Receipts,
- Trust Issued Receipts,
- Commodity-Based Trust Shares,
- Currency Trust Shares,
- Commodity Index Trust Shares,
- Commodity Futures Trust Shares,
- Partnership Units,
- Paired Trust Shares,
- Trust Units,
- Managed Fund Shares, and
- Managed Trust Securities.

## **FINRA**

(n) The term "FINRA" means the Financial Industry Regulatory Authority, Inc.

## **Good Standing**

(o) The term "good standing" refers to an ETP Holder who is not in violation of any of its agreements with the Exchange or any of the provisions of the Rules or Bylaws of the Exchange, and who has maintained all of the conditions for approval of the ETP.

## **Marketable**

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

## **Market Maker**

(q) The term "Market Maker" refers to an ETP Holder that acts as a Market Maker pursuant to Section 2 of Rule 7.

### **Market Maker Authorized Trader**

(r) The term "Market Maker Authorized Trader" or "MMAT" means an authorized trader who performs market making activities pursuant to Section 2 of Rule 7 on behalf of a Market Maker.

### **Nasdaq**

(s) The term "Nasdaq" means The Nasdaq Stock Market LLC.

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

(t) The term "NBBO" means the national best bid or offer, as defined in Rule 600(b)(42) of Regulation NMS. 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, as those terms are defined in Rule 600(b)(57) of Regulation NMS.

### **NMS Stock**

(u) The term "NMS Stock" means any security, other than an option, for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan as defined in Rule 600(b)(47) of Regulation NMS.

### **NYSE National**

(v) The term "NYSE National" shall have the same meaning as "Exchange" as that term is defined in Rule 1.1.

### **Person**

(w) The term "Person" refers to a natural person, corporation, partnership, limited liability company, association, joint stock company, trustee of a trust fund, or any organized group of persons whether incorporated or not.

### **Person Associated with an ETP Holder, Associated Person of an ETP Holder or Associated Person**

(x) The terms "Person Associated with an ETP Holder," "Associated Person of an ETP Holder" or "Associated Person" means any partner, officer, director, or branch manager of an ETP Holder (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 such ETP Holder, except that any Person Associated with an ETP Holder whose functions are solely clerical or ministerial

shall not be included in the meaning of such terms.

### **Principal**

(y) The term “Principal” means any Person Associated with an ETP Holder actively engaged in the management of the ETP Holder’s securities business, including supervision, solicitation, conduct of the ETP Holder’s business, or the training of Authorized Traders and Persons Associated with an ETP Holder for any of these functions. Such Persons include Sole Proprietors, Officers, Partners, and Directors of Corporations.

### **Principal – Financial and Operations**

(z) The term “Principal - Financial and Operations” means a Person Associated with an ETP Holder whose duties include: final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body; final preparation of such reports; supervision of individuals who assist in the preparation of such reports; supervision of and responsibility for individuals who are involved in the actual maintenance of the ETP Holder’s books and records from which such reports are derived; supervision and/or performance of the ETP Holder’s responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act; overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the ETP Holder’s back office operations; or any other matter involving the financial and operational management of the ETP Holder.

### **Protected Bid, Protected Offer, Protected Quotation**

(aa) The term "Protected Bid" or "Protected Offer" means a quotation in an NMS Stock that is (i) displayed by an Automated Trading Center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an Automated Quotation that is the best bid or best offer of a national securities exchange or the best bid or best offer of a national securities association. The term "Protected Quotation" means a quotation that is a Protected Bid or Protected Offer. For purposes of the foregoing definitions, the terms "Automated Trading Center," "Automated Quotation," "Manual Quotation," "Best Bid," and "Best Offer," have the meanings ascribed to them in Rule 600(b) of Regulation NMS under the Exchange Act.

### **Security**

(bb) The terms "Security" and “Securities” means any security as defined in Rule 3(a)(10) under the Exchange Act, provided, however, that for purposes of Rule 7, such term means any NMS Stock.

### **Securities Trader**

(cc) The term “Securities Trader” means 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.

### **Securities Trader Principal**

(dd) The term "Securities Trader Principal" means a Person who has become qualified and registered as a Securities Trader and passes the General Securities Principal qualification examination. Each Principal with responsibility over securities trading activities on the Exchange shall become qualified and registered as a Securities Trader Principal.

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

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

### **Trade-Through**

(ff) The term "trade-through" means the purchase or sale of an NMS Stock during regular trading hours, either as principal or agent, at a price that is lower than a Protected Bid or higher than a Protected Offer.

### **Trading Center**

(gg) For purposes of Rule 7, the term "Trading Center" means a national securities exchange or a national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent. For purposes of this definition, the terms "SRO trading facility," "alternative trading system," "exchange market maker" and "OTC market maker" have the meanings ascribed to them in Rule 600(b) of Regulation NMS under the Exchange Act.

### **Trading Facilities**

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

### **UTP Security**

(ii) The term "UTP Security" means a security that is listed on a national securities exchange other than the Exchange and that trades on the Exchange pursuant to unlisted trading privileges.

## **UTP Listing Market**

(jj) The term "UTP Listing Market" means the primary listing market for a UTP Security.

## **UTP Regulatory Halt**

(kk) The term "UTP Regulatory Halt" means a trade suspension, halt, or pause called by the UTP Listing Market in a UTP Security that requires all market centers to halt trading in that security.

## **RULE 2 TRADING PERMITS**

### **Rule 2.0. Disciplinary Jurisdiction**

An ETP Holder or a Person Associated with an ETP Holder (the "Respondent") who is alleged to have violated or aided and abetted a violation of any provision of the Exchange Act or the rules and regulations promulgated thereunder, or any provision of the Exchange's ByLaws or Rules or any interpretation thereof or any resolution or order of the Board or appropriate Exchange committee shall be subject to the disciplinary jurisdiction of the Exchange under the Rule 10.8000 and 10.9000 Series, and after notice and opportunity for a hearing may be appropriately disciplined by: expulsion; suspension; limitation of activities, functions and operation; fine; censure; suspension or bar from association with an ETP Holder or any other fitting sanction, in accordance with the provisions of the Rule 10.8000 and 10.9000 Series. An ETP Holder may be charged with any violation committed by its employees or by any other Person Associated with such ETP Holder, as though such violation were its own.

### **Rule 2.1. Rights, Privileges and Duties of ETP Holders**

Unless otherwise provided in the Exchange Rules or the By-Laws, each ETP Holder shall have the rights, privileges and duties of any other ETP Holder.

### **Rule 2.2. Obligations of ETP Holders and the Exchange**

(a) In addition to all other obligations imposed by the Exchange in its By-Laws or the Exchange Rules, all ETP Holders, as a condition of effecting approved securities transactions on the Exchange's trading facilities, shall agree to be regulated by the Exchange and shall recognize that the Exchange is obligated to undertake to enforce compliance with the provisions of the Exchange Rules, its By-Laws, its interpretations and policies and with the provisions of the Exchange Act and regulations thereunder, and that, subject to orders and rules of the Commission, the Exchange is required to discipline ETP Holders and Persons Associated with ETP Holders for violations of the provisions of the Exchange Rules, its By-Laws, its interpretations and policies and the Exchange Act and regulations thereunder, by expulsion, suspension, limitation of activities, functions, and operations, fines, censure, being suspended or barred from being associated with an ETP Holder, or any other fitting sanction.

(b) Each ETP Holder shall require that each Person Associated with an ETP Holder as defined in Rule 1.1 agree:

- (1) to supply the Exchange with such information with respect to such Person's business relationship and dealings with the ETP Holder as may be specified by the Exchange;
- (2) to permit examination of such Person's books and records by the Exchange to verify the accuracy of any information so supplied; and
- (3) to be regulated by the Exchange and to recognize that the Exchange is obligated to enforce compliance with the provisions of the Exchange Rules, the By-Laws, the interpretations and policies of the Exchange and the provisions of the Exchange Act and the regulations thereunder.

(c) (1) An ETP Holder shall register with the Exchange as a Principal any Person who meets the definition of a "Principal" as described in Rule 1.1. A "Principal" includes any individual responsible for supervising the activities of the ETP Holder's Authorized Traders, and any individual designated as a Chief Compliance Officer on Schedule A of the ETP Holder's Form BD. Each of these Principals must be registered as such through the FINRA Central Registration Depository System ("CRD"), and must pass the General Securities Principal (Series 24) Examination. With the exception of Commentary .04, below, a Principal must pass the Series 7 examination or an equivalent foreign examination module as a prerequisite to taking the Series 24 examination.

(2) Each ETP Holder, other than a sole proprietorship or a proprietary trading firm, which is an entity that only trades using the firm's capital and does not trade on behalf of customers and has 25 or fewer Authorized Traders ("Limited Size Proprietary Firm"), is required to register at least two Principals with the Exchange. A Person registered solely as a Principal-Financial and Operations ("FINOP") as defined in Rule 1.1 does not count toward the two-Principal requirement and shall not be qualified to function in a Principal capacity with responsibility over any area of business activity not described in Rule 1.1. A Limited Size Proprietary Firm is required to register at least one Principal with the Exchange. The Exchange may waive the provisions of this subparagraph in situations that indicate conclusively that only one Person associated with an applicant for membership should be required to register as a Principal.

(3) For purposes of this Rule 2.2, a "proprietary trading firm" shall mean an ETP Holder meeting the following characteristics: it trades its own capital, does not have customers, excluding broker-dealers, and is not a FINRA member. To qualify for this definition, the funds used by a proprietary trading firm must be exclusively firm funds, all trading must be in the firm's accounts, and traders must be owners of, employees of, or contractors to the firm.



(d) Each ETP Holder shall designate and register with the Exchange, through the CRD System, a FINOP as defined in Rule 1.1, who shall successfully complete the Financial and Operations Principal (Series 27) qualification examination. The registered FINOP shall be responsible for performing the duties described in Exchange Rule 1.1. The FINOP of an ETP Holder may be an employee of the ETP Holder or an independent contractor.

(e) Continuing Education Requirements. This Rule prescribes requirements regarding the continuing education of certain Registered Persons subsequent to their initial qualification and registration with the Exchange. For purposes of this Rule 2.2(e), the term "Registered Person" shall mean any Person registered with the Exchange as a General Securities Representative, Securities Trader, Principal, FINOP, Person Associated with an ETP Holder, Authorized Trader or Market Maker Authorized Trader pursuant to Exchange Rules. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(1) Regulatory Element.

(A) Requirements. 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 requirements of this Rule 2.2(e). Each Registered Person shall complete the Regulatory Element 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 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 of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be determined by the Exchange and shall be appropriate to the status of the Person subject to this Rule.

(B) Failure to Complete. Unless otherwise determined by the Exchange, any Registered Person who has not completed the Regulatory Element within the prescribed timeframes will have their registrations 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. A registration that is inactive for a period of two years will be administratively terminated. A Person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of these Rules. The Exchange may, upon application and a showing of good cause, allow for additional time for a Registered Person to satisfy the program requirements.

(C) Disciplinary Actions. Unless otherwise determined by the Exchange, a Registered Person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such Person:

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

(ii) is 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 governmental securities regulatory agency, securities industry 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 governmental securities regulatory agency or by any self-regulatory organization.

The 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) and (iii) above. The date of the disciplinary action shall be treated as such Person's new base date with the Exchange.

(D) Reassociation in a Registered Capacity. Any Registered Person who has terminated association with an ETP Holder and who has, within two years of the date of termination, become reassociated in a registered capacity with an ETP Holder shall participate in the Regulatory Element at such intervals that may apply (second 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.

(E) Each ETP Holder shall designate and identify to the Exchange (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via 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 shall identify, review, and, if necessary, update the information regarding the Regulatory Element contact person(s) with CRD.

## (2) Firm Element

(A) Persons Subject to the Firm Element. The requirements of this Rule 2.2(e)(2) shall apply to any Person registered with an ETP Holder who has direct contact with customers in the conduct of the ETP Holder's securities sales, trading and investment banking activities and to the immediate supervisors of such Persons (collectively, "Covered Registered Persons"). "Customer" shall mean any natural

person and any organization, other than another broker or dealer, executing securities transactions with or through or receiving investment banking services from an ETP Holder.

(B) Standards for the Firm Element

(i) Each ETP Holder must maintain a continuing and current education program for its covered Registered Persons to enhance their securities knowledge, skill, 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: general investment features and associated risk factors; suitability and sales practice considerations; and applicable regulatory requirements.

(iii) Administration of Continuing Education Program. An ETP Holder must administer its continuing education programs 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, individually or as part of a larger group, to provide specific training to its Covered Registered Persons in such areas as 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.

***Commentary:***

**.01** The Exchange requires the General Securities Representative Examination (“Series 7”) or an equivalent foreign examination module approved by the Exchange in qualifying Persons seeking registration as general securities representatives.

**.02** The Exchange will accept the New York Stock Exchange (“NYSE”) Chief Compliance Officer Examination (“NYSE Series 14”) as an alternative qualification to the Series 24 to register as a Principal an individual identified as the Chief Compliance Officer on ETP Holder’s Form BD.

**.03** Each Person Associated with an ETP Holder meeting the definition of a Securities Trader under Rule 1.1 must pass the Securities Trader Qualification examination (“Series 57”) and register as such in CRD. A Person registered as a Securities Trader shall not function in any other registration category unless he/she is also qualified in such other registration category.

**.04** Person Associated with an ETP Holder who meets the definition of a Securities Trader Principal as defined in Rule 1.1 and who has supervisory responsibility for Securities Trading activity as described in NASD Rule 1032(f)(1), which is incorporated by reference herein, must become qualified and registered as a Securities Trader Principal. To qualify as a Securities Trader Principal, such Person must first qualify and register as a Securities Trader as provided in Commentary .03, above. A Person who is qualified and registered as a Securities Trader Principal may only have supervisory responsibilities for the trading activity described in NASD Rule 1032(f)(1), unless such Person is separately qualified and registered in another appropriate principal registration category. A Person who is registered as a General Securities Principal shall not be qualified to supervise the trading activities described in NASD Rule 1032(f)(1), unless such Person has also become qualified and registered as a Securities Trader under NASD Rule 1032(f) by passing the Securities Trader qualification examination and registered as a Securities Trader Principal.

**.05** The Exchange requires the Uniform Application for Securities Industry Registration or Transfer (“Form U4”) and the Uniform Termination Notice for Securities Industry Registration (“Form U5”) submitted through CRD as part of its procedure for registration of ETP Holder personnel. The Form U4 shall be amended by the ETP Holder no later than 30 days after an event that would require an amendment to Form U4.

**.06** The Exchange may, in exceptional cases and where good cause is shown, waive a proficiency examination 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 a qualification examination. Experience in fields ancillary to the investment banking or securities business may constitute sufficient grounds to waive a qualification examination.

**.07** The Exchange may pass through the reasonable costs associated with such

examinations and qualifications to ETP Holders.

### **Rule 2.3. ETP Holder Eligibility**

An ETP may be issued to a sole proprietor, partnership, corporation, limited liability company or other organization which is a registered broker or dealer pursuant to Section 15 of the Exchange Act, and is a member of another registered national securities exchange or national securities association. Any Person may become a Person Associated with an ETP Holder.

### **Rule 2.4. Restrictions**

(a) No person may become an ETP Holder or continue as an ETP Holder in any capacity on the Exchange unless:

- (1) such person is a registered broker or dealer; and
- (2) such person is not subject to a statutory disqualification, except that a person may become an ETP Holder or continue as an ETP Holder where, pursuant to Rules 19d-1, 19d-2, 19d-3 and 19h-1 of the Exchange Act, the Commission has issued an order providing relief from such a disqualification and permitting such a person to become an ETP Holder.

(b) No natural person or registered broker or dealer shall be admitted as, or be entitled to continue as, an ETP Holder or Person Associated with an ETP Holder, unless such natural person or broker or dealer meets the standards of training, experience and competence as the Exchange may prescribe. Each ETP Holder shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person applying for registration with the Exchange as a Person Associated with an ETP Holder.

(c) No registered broker or dealer shall be admitted as, or be entitled to continue as, an ETP Holder if such broker or dealer:

- (1) fails to comply with either the financial responsibility requirements established by Rule 15c3-1 under the Exchange Act, or such other financial responsibility and operational capability requirements as may be established by the Exchange Rules; or
- (2) fails to adhere to the Exchange Rules relating to the maintenance of books and records or those rules of other self-regulatory organizations of which such broker or dealer is or was a member; or
- (3) 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 six months; or

(4) has been subject to any bankruptcy proceeding, receivership or arrangement for the benefit of creditors within the past three years; or

(5) has engaged in an established pattern of failure to pay just debts or has defaulted, without a reasonable explanation, on an obligation to a self-regulatory organization, any ETP Holder, or any member of a self-regulatory organization.

(d) No person shall be admitted as an ETP Holder or as a Person Associated with an ETP Holder where it appears that such person has engaged, and there is a reasonable likelihood that such person again may engage, in acts or practices inconsistent with just and equitable principles of trade.

### **Rule 2.5. Application Procedures for an ETP Holder**

(a) Applications for an ETP shall be made to the Exchange and shall contain the following:

(1) An agreement to abide by, comply with, and adhere to the provisions of the Exchange's Amended Certificate of Incorporation, its By-Laws, the Exchange Rules, the policies, interpretations and guidelines of the Exchange and all orders and decisions of the Exchange's Board and penalties imposed by the Board, and any duly authorized committee; provided, however, that such agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Exchange Act.

(2) An agreement to pay such dues, assessments, and other charges in the manner and amount as shall from time to time be fixed by the Exchange.

(3) An agreement that the Exchange and its officers, employees and members of its Board and of any committee shall not be liable, except for willful malfeasance, to the applicant or to any other person, for any action taken by such director, officer or member in his official capacity, or by any employee of the Exchange while acting within the scope of his employment, in connection with the administration or enforcement of any of the provisions of its By-Laws, Exchange Rules, policies, interpretations or guidelines of the Exchange or any penalty imposed by the Exchange, its Board or any duly authorized committee.

(4) An agreement to maintain and make available to the Exchange, its authorized employees and its Board or committee members such books and records as may be required to be maintained by the Commission or the Exchange Rules.

(5) Such other reasonable information with respect to the applicant as the Exchange may require.

(b) Reserved.

(c) If the Exchange is satisfied that the applicant is qualified to hold an ETP pursuant to the provisions of this Rule, the Exchange shall promptly notify, in writing, the applicant of such determination, and the applicant shall be issued an ETP.

(d) If the Exchange is not satisfied that the applicant is qualified to hold an ETP pursuant to the provisions of this Rule, the Exchange shall promptly notify the applicant of the grounds for denying the ETP. The Board on its own motion may reverse the determination that the applicant is not qualified to hold an ETP. If a majority of the Board specifically determines to reverse the determination to deny the issuance of an ETP, the Board shall promptly notify Exchange staff, who shall promptly notify the applicant of the Board's decision and shall issue an ETP to the applicant. An applicant who has been denied an ETP may appeal such decision under Rule 10 of the Exchange Rules governing adverse action.

(e) In considering applications for an ETP, the Exchange shall adhere to the following procedures:

(1) Where an application is granted by the Board, the Exchange shall promptly notify the applicant.

(2) The applicant shall be afforded an opportunity to be heard on the denial of an ETP pursuant to Rule 10 of the Exchange Rules governing adverse action.

(f) Reserved.

***Commentary:***

**.01 Expedited Process for Reinstatement as an ETP Holder:** Beginning on the date that this Commentary .01 becomes effective and ending 90 calendar days after such date, any ETP Holder in Good Standing as of the close of business on February 1, 2017 may apply to reinstate its status as an ETP Holder, and register with the Exchange each Person Associated with such ETP Holder, by submitting a short form application as prescribed by the Exchange, provided that:

(i) the ETP Holder is a current member of another self-regulatory organization; and

(ii) each proposed Person Associated with such ETP Holder holds an active and recognized securities industry registration, and meets the requirements of Rule 2.2(b).

Such short-form application shall include an agreement conforming with Rule 2.5(a)(1) through (a)(5). The Exchange may request further documentation, in addition to the short-form application, in order to determine that the applicant using the expedited process meets the qualification standards set forth in Rule 2.2. An ETP Holder that meets the requirements for the expedited process for reinstatement under this Commentary .01 has 30 calendar days from the effective date of this Rule by which to register with the

Exchange each Person Associated with such ETP Holder.

**Rule 2.6. Revocation of an ETP or an Association with an ETP Holder**

ETP Holders or Persons Associated with an ETP Holders may effect approved securities transactions on the Exchange's trading facilities only so long as they possess all the qualifications set forth in the Exchange Rules. Except where, pursuant to Section 17(d) of the Exchange Act, the Exchange has been relieved of its responsibility to monitor the continued qualifications of an ETP Holder or Person Associated with an ETP Holder, when the Exchange has reason to believe that an ETP Holder or Person Associated with an ETP Holder fails to meet such qualifications, the Exchange may act to revoke such Person's ETP or association. Such action shall be instituted under, and governed by, Rule 10 of the Exchange Rules and may be appealed under Rule 10 of the Exchange Rules governing adverse action. In connection with any revocation of an ETP, the ETP shall be cancelled.

**Rule 2.7. Voluntary Termination of Rights as an ETP Holder**

An ETP Holder may voluntarily terminate its rights as an ETP Holder only by a written resignation addressed to the Exchange or an officer designated by the Exchange. Such resignation shall not take effect until 30 days after all of the following conditions have been satisfied: (i) receipt of such written resignation; (ii) all indebtedness due the Exchange shall have been paid in full; (iii) any Exchange investigations or disciplinary action brought against the ETP Holder has reached a final disposition; and (iv) any examination of such ETP Holder in process is completed and all exceptions noted have been reasonably resolved; provided, however, that the Board may declare a resignation effective at any time. In connection with any voluntary termination of an ETP pursuant to this Rule, the ETP shall be cancelled.

**Rule 2.8. Transfer or Sale of an ETP**

ETP Holders may not transfer or sell or encumber their ETPs or any interest therein.

**Rule 2.9. Dues, Assessments and Other Charges**

The Exchange may prescribe such reasonable assessments, dues or other charges as it may, in its discretion, deem appropriate. Such assessments and charges shall be equitably allocated among ETP Holders, issuers and other persons using the Exchange's facilities.

**Rule 2.10. Reserved**

**Rule 2.11. Reserved**

**Rule 2.12. Reserved**

**Rule 2.13. Mandatory Participation in Testing of Backup Systems**



(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 shall not be less than once every 12 months.

(c) Reserved.

(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 Holders 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.

**Rule 2.14. Reserved**

**Rule 2.15. Reserved**

**Rule 2.16. Reserved**

**Rule 2.17. Reserved**

**Rule 2.18 Activity Assessment Fees**

(a) Section 31 of the Exchange Act, as amended, requires national securities exchanges and associations to pay to the Commission certain fees and assessments on specified securities transactions. Each ETP Holder that effects securities transactions upon the Exchange that are defined in Section 31 of the Exchange Act as "covered sales" of securities shall pay Activity Assessment Fees based upon all of their covered sales. The Activity Assessment Fees are calculated 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 from ETP Holders at such times and intervals as prescribed by the Exchange. ETP Holders that cease to effect securities transactions upon 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 Commission registration fee, the Board of Directors may from time to time fix and impose other charges or fees to be paid to the Exchange or its subsidiaries 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 3 ORGANIZATION AND ADMINISTRATION**

### **Rule 3.1. Additional Requirements for Listed Securities Issued by Intercontinental Exchange, Inc. or its Affiliates.**

(a) For purposes of this Rule 3.1 the terms below are defined as follows:

(1) "ICE Affiliate" means Intercontinental Exchange, Inc. ("ICE") and any entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with ICE, where "control" means that one entity possesses, directly or indirectly, voting control of the other entity either through ownership of capital stock or other equity securities or through majority representation on the board of directors or other management body of such entity.

(2) "Affiliate Security" means any security issued by an ICE Affiliate or any Exchange-listed option on any such security.

(3) The Exchange is a wholly owned subsidiary of ICE.

(b) No Affiliate Security will be listed on the Exchange.

(c) Throughout the trading of the Affiliate Security on the Exchange, the Exchange will prepare a quarterly report on the Affiliate Security for the Exchange's Regulatory Oversight Committee that describes Exchange regulatory staff's monitoring of the trading of the Affiliate Security including summaries of all related surveillance alerts, complaints, regulatory referrals, adjusted trades, investigations, examinations, formal and informal disciplinary actions, exception reports and trading data used to ensure the Affiliate Security's compliance with the Exchange's trading rules.

### **Rule 3.8. Liability for Payment**

(a) An ETP Holder failing to pay any assessments, dues or other charges to the Exchange for 45 days after the same shall become payable, may be suspended by the Exchange in accordance with Rule 10.9555, except that failure to pay any fine levied in connection with a disciplinary action shall be governed by Rule 10.8320.

(b) Denial of access to some or all of the facilities of the Exchange through suspension under the paragraph (a) of this Rule shall not prevent the ETP Holder or its Associated

Persons from being proceeded against for any offense other than that for which such ETP Holder was suspended.

### **Rule 3.9. Certain Relationships**

(a) Unless approved by the Securities and Exchange Commission, no ETP Holder shall be affiliated (as such term is defined in Rule 12b-2 under the Exchange Act) with NYSE Group, Inc. (or any successors thereto) or any of its affiliated entities.

(b) Unless approved by the Securities and Exchange Commission, neither NYSE Group, Inc. nor any of its affiliates (as such term is defined in Rule 12b-2 under the Exchange Act) shall hold, directly or indirectly, an ownership interest in any ETP Holder.

(c) Any person who fails to meet the requirements of this Rule 3.9 shall not be eligible to become an ETP Holder. Any failure by an ETP Holder to comply with this Rule 3.9 shall be subject to the disciplinary actions prescribed by the Rule 10.9000 Series.

### **Rule 3.10. Notice of Expulsion or Suspension**

(a) An ETP Holder which is expelled or suspended from any SRO, encounters financial difficulty or operating inadequacies, fails to perform contracts or becomes insolvent, shall give prompt written notification to the Exchange of any such occurrence.

(b) An ETP Holder shall give prompt written notification to the Exchange with respect to the expulsion or suspension of such ETP Holder or any other Associated Person of such ETP Holder by any SRO.

### **Rule 3.11. 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 redisseminate 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:***

**.01 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.

**RULE 4 RESERVED**

**RULE 5 TRADING ON AN UNLISTED TRADING PRIVILEGES BASIS**

**Rule 5.1. Unlisted Trading Privileges**

**(a) General Provisions and Unlisted Trading Privileges.**

(1) The Exchange may extend unlisted trading privileges ("UTP") to any security that is an NMS Stock that is listed on another national securities exchange or with respect to which unlisted trading privileges may otherwise be extended in accordance with Section 12(f) of the Exchange Act and any such security shall be subject to all Exchange rules applicable to trading on the Exchange, unless otherwise noted.

(2) UTP Exchange Traded Product. Any UTP security that is a UTP Exchange Traded Product, as defined in Rule 1.1, will be subject to the additional following rules:

(A) Information Circular. The Exchange will distribute an information circular prior to the commencement of trading in each such UTP Exchange Traded Product that generally includes the same information as is contained in the information circular

provided by the listing exchange, including (a) the special risks of trading the new Exchange Traded Product, (b) the Exchange Rules that will apply to the new Exchange Traded Product, and (c) information about the dissemination of value of the underlying assets or indices.

(B) Product Description.

(i) Prospectus Delivery Requirements. ETP Holders are subject to the prospectus delivery requirements under the Securities Act of 1933, unless the UTP Exchange Traded Product is the subject of an order by the Securities and Exchange Commission exempting the product from certain prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940 and the product is not otherwise subject to prospectus delivery requirements under the Securities Act of 1933.

(ii) Written Description of Terms and Conditions. The Exchange will inform ETP Holders of the application of the provisions of this subparagraph to UTP Exchange Traded Products by means of an information circular. The Exchange requires that ETP Holders provide each purchaser of UTP Exchange Traded Products a written description of the terms and characteristics of those securities, in a form approved by the Exchange or prepared by the open-ended management company issuing such securities, not later than the time a confirmation of the first transaction in such securities is delivered to such purchaser. In addition, ETP Holders will include a written description with any sales material relating to UTP Exchange Traded Products that is provided to customers or the public. Any other written materials provided by an ETP Holder to customers or the public making specific reference to the UTP Exchange Traded Products as an investment vehicle must include a statement substantially in the following form:

"A circular describing the terms and characteristics of has been prepared by the and is available from your broker. It is recommended that you obtain and review such circular before purchasing."

An ETP Holder carrying an omnibus account for a non-ETP Holder is required to inform such non-ETP Holder that execution of an order to purchase UTP Exchange Traded Products for such omnibus account will be deemed to constitute an agreement by the non-ETP Holder to make such written description available to its customers on the same terms as are directly applicable to the ETP Holder under this Rule.

(iii) Customer Requests for a Prospectus. Upon request of a customer, an ETP Holder will also provide a prospectus for the particular UTP Exchange Traded Product.

(C) Trading Halts. The Exchange will halt trading in a UTP Exchange Traded Product as provided for in Rule 7.18. Nothing in this rule will limit the power of the

Exchange under the Rules or procedures of the Exchange with respect to the Exchange's ability to suspend trading in any securities if such suspension is necessary for the protection of investors or in the public interest.

(D) Market Maker Restrictions. The following restrictions will apply to each ETP Holder acting as a registered Market Maker on the Exchange in a UTP Exchange Traded Product that derives its value from one or more currencies, commodities, or derivatives based on one or more currencies or commodities, or is based on a basket or index composed of currencies or commodities (collectively, "Reference Assets"):

(i) The ETP Holder acting as a registered Market Maker on the Exchange in a UTP Exchange Traded Product must file with the Exchange, in a manner prescribed by the Exchange, and keep current a list identifying all accounts for trading the underlying physical asset or commodity, related futures or options on futures, or any other related derivatives (collectively with Reference Assets, "Related Instruments"), which the ETP Holder acting as a registered Market Maker on the Exchange may have or over which it may exercise investment discretion. No ETP Holder acting as a registered Market Maker on the Exchange in the UTP Exchange Traded Product will trade in the underlying physical asset or commodity, related futures or options on futures, or any other related derivatives, in an account in which an ETP Holder acting as a registered Market Maker on the Exchange, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, which has not been reported to the Exchange as required by this Rule.

(ii) A Market Maker on the Exchange will, in a manner prescribed by the Exchange, file with the Exchange and keep current a list identifying any accounts ("Related Instrument Trading Accounts") for which Related Instruments are traded:

(a) in which the Market Maker holds an interest;

(b) over which it has investment discretion; or

(c) in which it shares in the profits and/or losses.

A Market Maker on the Exchange may not have an interest in, exercise investment discretion over, or share in the profits and/or losses of a Related Instrument Trading Account that has not been reported to the Exchange as required by this Rule.

(iii) In addition to the existing obligations under Exchange rules regarding the production of books and records, a Market Maker on the Exchange will, upon request by the Exchange, make available to the Exchange any books, records, or other information pertaining to any Related Instrument Trading Account or to the account of any registered or non-registered employee affiliated with the Market Maker on the Exchange for which Related Instruments are traded.

(iv) A Market Maker on the Exchange will not use any material nonpublic information in connection with trading a Related Instrument.

(E) Surveillance. The Exchange will enter into comprehensive surveillance sharing agreements with markets that trade components of the index or portfolio on which the UTP Exchange Traded Product is based to the same extent as the listing exchange's rules require the listing exchange to enter into comprehensive surveillance sharing agreements with such markets.

## **RULE 6 ORDER AUDIT TRAIL**

### **Rule 6.6800 Consolidated Audit Trail Compliance Rule**

#### **Rule 6.6810. Consolidated Audit Trail—Definitions**

For purposes of the Rule 6.6800 Series:

(a) "Account Effective Date" means:

(1) with regard to those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution:

(A) when the trading relationship was established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, either

(i) the date the relationship identifier was established within the Industry Member;

(ii) the date when trading began (i.e., the date the first order was received) using the relevant relationship identifier; or

(iii) if both dates are available, the earlier date will be used to the extent that the dates differ; or

(B) when the trading relationship was established on or after November 15, 2018 for Industry Members other than Small Industry Members, or on or after November 15, 2019 for Small Industry Members, the date the Industry Member established the relationship identifier, which would be no later than the date the first order was received;

(2) where an Industry Member changes back office providers or clearing firms prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the date an account was established at the relevant Industry Member, either directly or via transfer;

- (3) where an Industry Member acquires another Industry Member prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the date an account was established at the relevant Industry Member, either directly or via transfer;
- (4) where there are multiple dates associated with an account established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, the earliest available date;
- (5) with regard to Industry Member proprietary accounts established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members:
  - (A) the date established for the account in the Industry Member or in a system of the Industry Member or
  - (B) the date when proprietary trading began in the account (i.e., the date on which the first orders were submitted from the account).

With regard to paragraphs (2) - (5), the Account Effective Date will be no later than the date trading occurs at the Industry Member or in the Industry Member's system.

- (b) "Active Accounts" means an account that has had activity in Eligible Securities within the last six months.
- (c) "Allocation Report" means a report made to the Central Repository by an Industry Member that identifies the Firm Designated ID for any account(s), including subaccount(s), to which executed shares are allocated and provides the security that has been allocated, the identifier of the firm reporting the allocation, the price per share of shares allocated, the side of shares allocated, the number of shares allocated to each account, and the time of the allocation; provided, for the avoidance of doubt, any such Allocation Report shall not be required to be linked to particular orders or executions.
- (d) "Business Clock" means a clock used to record the date and time of any Reportable Event required to be reported under this Rule Series.
- (e) "CAT" means the consolidated audit trail contemplated by SEC Rule 613.
- (f) "CAT NMS Plan" means the National Market System Plan Governing the Consolidated Audit Trail, as amended from time to time.
- (g) "CAT-Order-ID" means a unique order identifier or series of unique order identifiers that allows the Central Repository to efficiently and accurately link all Reportable Events for an order, and all orders that result from the aggregation or disaggregation of such order.



(h) "CAT Reporting Agent" means a Data Submitter that is a third party that enters into an agreement with an Industry Member pursuant to which the CAT Reporting Agent agrees to fulfill such Industry Member's reporting obligations under this Rule Series.

(i) "Central Repository" means the repository responsible for the receipt, consolidation, and retention of all information reported to the CAT pursuant to SEC Rule 613 and the CAT NMS Plan.

(j) "Compliance Threshold" has the meaning set forth in Rule 6.6893(d).

(k) "Customer" means:

(1) the account holder(s) of the account at an Industry Member originating the order; and

(2) any person from whom the Industry Member is authorized to accept trading instructions for such account, if different from the account holder(s).

(l) "Customer Account Information" shall include, but not be limited to, account number, account type, customer type, date account opened, and large trader identifier (if applicable); except, however, that:

(1) in those circumstances in which an Industry Member has established a trading relationship with an institution but has not established an account with that institution, the Industry Member will:

(A) provide the Account Effective Date in lieu of the "date account opened";

(B) provide the relationship identifier in lieu of the "account number"; and

(C) identify the "account type" as a "relationship";

(2) in those circumstances in which the relevant account was established prior to November 15, 2018 for Industry Members other than Small Industry Members, or prior to November 15, 2019 for Small Industry Members, and no "date account opened" is available for the account, the Industry Member will provide the Account Effective Date in the following circumstances:

(A) where an Industry Member changes back office providers or clearing firms and the date account opened is changed to the date the account was opened on the new back office/clearing firm system;

(B) where an Industry Member acquires another Industry Member and the date account opened is changed to the date the account was opened on the post-merger back office/clearing firm system;

(C) where there are multiple dates associated with an account in an Industry

Member's system, and the parameters of each date are determined by the individual Industry Member; and

(D) where the relevant account is an Industry Member proprietary account.

(m) "Customer Identifying Information" means information of sufficient detail to identify a Customer, including, but not limited to:

(1) with respect to individuals: name, address, date of birth, individual tax payer identification number ("ITIN")/social security number ("SSN"), individual's role in the account (*e.g.*, primary holder, joint holder, guardian, trustee, person with the power of attorney); and

(2) with respect to legal entities: name, address, Employer Identification Number ("EIN")/Legal Entity Identifier ("LEI") or other comparable common entity identifier, if applicable; provided, however, that an Industry Member that has an LEI for a Customer must submit the Customer's LEI in addition to other information of sufficient detail to identify a Customer.

(n) "Data Submitter" means any person that reports data to the Central Repository, including national securities exchanges, national securities associations, broker-dealers, the SIPs for the CQS, CTA, UTP and Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information ("OPRA") Plans, and certain other vendors or third parties that may submit data to the Central Repository on behalf of Industry Members.

(o) "Eligible Security" includes (1) all NMS Securities and (2) all OTC Equity Securities.

(p) "Error Rate" means the percentage of Reportable Events collected by the Central Repository in which the data reported does not fully and accurately reflect the order event that occurred in the market.

(q) "Firm Designated ID" means a unique identifier for each trading account designated by Industry Members for purposes of providing data to the Central Repository, where each such identifier is unique among all identifiers from any given Industry Member for each business date.

(r) "Industry Member" means a member of a national securities exchange or a member of a national securities association.

(s) "Industry Member Data" has the meaning set forth in Rule 6.6830(a)(2).

(t) "Initial Plan Processor" means the first Plan Processor selected by the Operating Committee in accordance with SEC Rule 613, Section 6.1 of the CAT NMS Plan and the National Market System Plan Governing the Process for Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail.

(u) "Listed Option" or "Option" have the meaning set forth in Rule 600(b)(35) of Regulation NMS.

(v) "Manual Order Event" means a non-electronic communication of order-related information for which Industry Members must record and report the time of the event.

(w) "Material Terms of the Order" includes: the NMS Security or OTC Equity Security symbol; security type; price (if applicable); size (displayed and non-displayed); side (buy/sell); order type; if a sell order, whether the order is long, short, short exempt; open/close indicator (except on transactions in equities); time in force (if applicable); if the order is for a Listed Option, option type (put/call), option symbol or root symbol, underlying symbol, strike price, expiration date, and open/close (except on market maker quotations); and any special handling instructions.

(x) "NMS Security" means any security or class of securities for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan, or an effective national market system plan for reporting transactions in Listed Options.

(y) "NMS Stock" means any NMS Security other than an option.

(z) "Operating Committee" means the governing body of the CAT NMS, LLC designated as such and described in Article IV of the CAT NMS Plan.

(aa) "Options Market Maker" means a broker-dealer registered with an exchange for the purpose of making markets in options contracts traded on the exchange.

(bb) "Order" or "order", with respect to Eligible Securities, shall include:

- (1) Any order received by an Industry Member from any person;
- (2) Any order originated by an Industry Member; or
- (3) Any bid or offer.

(cc) "OTC Equity Security" means any equity security, other than an NMS Security, subject to prompt last sale reporting rules of a registered national securities association and reported to one of such association's equity trade reporting facilities.

(dd) "Participant" means each Person identified as such in Exhibit A of the CAT NMS Plan, as amended, in such Person's capacity as a Participant in CAT NMS, LLC.

(ee) "Person" means any individual, partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association and any heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so permits.

(ff) "Plan Processor" means the Initial Plan Processor or any other Person selected by the Operating Committee pursuant to SEC Rule 613 and Sections 4.3(b)(i) and 6.1 of the CAT NMS Plan, and with regard to the Initial Plan Processor, the National Market System Plan Governing the Process for Selecting a Plan Processor and Developing a Plan for the Consolidated Audit Trail, to perform the CAT processing functions required by SEC Rule 613 and set forth in the CAT NMS Plan.

(gg) "Received Industry Member Data" has the meaning set forth in Rule 6.6830(a)(2).

(hh) "Recorded Industry Member Data" has the meaning set forth in Rule 6.6830(a)(1).

(ii) "Reportable Event" includes, but is not limited to, the original receipt or origination, modification, cancellation, routing, execution (in whole or in part) and allocation of an order, and receipt of a routed order.

(jj) "SRO" means any self-regulatory organization within the meaning of Section 3(a)(26) of the Exchange Act.

(kk) "SRO-Assigned Market Participant Identifier" means an identifier assigned to an Industry Member by an SRO or an identifier used by a Participant.

(ll) "Small Industry Member" means an Industry Member that qualifies as a small broker-dealer as defined in Rule 0-10(c) under the Exchange Act, as amended.

(mm) "Trading Day" shall have the meaning as is determined by the Operating Committee. For the avoidance of doubt, the Operating Committee may establish different Trading Days for NMS Stocks (as defined in SEC Rule 600(b)(47)), Listed Options, OTC Equity Securities, and any other securities that are included as Eligible Securities from time to time.

## **Rule 6.6820. Consolidated Audit Trail - Clock Synchronization**

### **(a) Clock Synchronization**

(1) Each Industry Member shall synchronize its Business Clocks, other than such Business Clocks used solely for Manual Order Events or used solely for the time of allocation on Allocation Reports, at a minimum to within a fifty (50) millisecond tolerance of the time maintained by the atomic clock of the National Institute of Standards and Technology ("NIST"), and maintain such synchronization.

(2) Each Industry Member shall synchronize (A) its Business Clocks used solely for Manual Order Events and (B) its Business Clocks used solely for the time of allocation on Allocation Reports at a minimum to within a one second tolerance of the time maintained by the NIST atomic clock, and maintain such synchronization.

(3) The tolerance for paragraphs (a)(1) and (2) of this Rule includes all of the

following:

(A) The difference between the NIST atomic clock and the Industry Member's Business Clock;

(B) The transmission delay from the source; and

(C) The amount of drift of the Industry Member's Business Clock.

(4) Business Clocks must be synchronized every business day before market open to ensure that timestamps for Reportable Events are accurate. To maintain clock synchronization, Business Clocks must be checked against the NIST atomic clock and re-synchronized, as necessary, throughout the day.

(b) Documentation

Industry Members must document and maintain their synchronization procedures for Business Clocks. Industry Members must keep a log of the times when they synchronize their Business Clocks and the results of the synchronization process. This log should include notice of any time a Business Clock drifts more than the applicable tolerance specified in paragraph (a) of this Rule. Such log must include results for a period of not less than five years ending on the then current date, or for the entire period for which the Industry Member has been required to comply with this Rule if less than five years.

(c) Certification

Each Industry Member shall certify to the Exchange that its Business Clocks satisfy the synchronization requirements set forth in paragraph (a) of this Rule periodically in accordance with the certification schedule established by the Operating Committee pursuant to the CAT NMS Plan.

(d) Violation Reporting

Each Industry Member with Business Clocks must report to the Plan Processor and the Exchange violations of paragraph (a) of this Rule pursuant to the thresholds set by the Operating Committee pursuant to the CAT NMS Plan.

**Rule 6.6830. Consolidated Audit Trail - Industry Member Data Reporting**

(a) Recording and Reporting Industry Member Data

(1) Subject to paragraph (3) below, each Industry Member shall record and electronically report to the Central Repository the following details for each order and each Reportable Event, as applicable ("Recorded Industry Member Data") in the manner prescribed by the Operating Committee pursuant to the CAT NMS Plan:

(A) for original receipt or origination of an order:

- (i) Firm Designated ID(s) for each Customer;
- (ii) CAT-Order-ID;
- (iii) SRO-Assigned Market Participant Identifier of the Industry Member receiving or originating the order;
- (iv) date of order receipt or origination;
- (v) time of order receipt or origination (using timestamps pursuant to Rule 6.6860); and
- (vi) Material Terms of the Order;

(B) for the routing of an order:

- (i) CAT-Order-ID;
- (ii) date on which the order is routed;
- (iii) time at which the order is routed (using timestamps pursuant to Rule 6.6860);
- (iv) SRO-Assigned Market Participant Identifier of the Industry Member routing the order;
- (v) SRO-Assigned Market Participant Identifier of the Industry Member or Participant to which the order is being routed;
- (vi) if routed internally at the Industry Member, the identity and nature of the department or desk to which the order is routed; and
- (vii) Material Terms of the Order;

(C) for the receipt of an order that has been routed, the following information:

- (i) CAT-Order-ID;
- (ii) date on which the order is received;
- (iii) time at which the order is received (using timestamps pursuant to Rule 6.6860);
- (iv) SRO-Assigned Market Participant Identifier of the Industry

Member receiving the order;

(v) SRO-Assigned Market Participant Identifier of the Industry Member or Participant routing the order; and

(vi) Material Terms of the Order;

(D) if the order is modified or cancelled:

(i) CAT-Order-ID;

(ii) date the modification or cancellation is received or originated;

(iii) time at which the modification or cancellation is received or originated (using timestamps pursuant to Rule 6.6860);

(iv) price and remaining size of the order, if modified;

(v) other changes in the Material Terms of the Order, if modified; and

(vi) whether the modification or cancellation instruction was given by the Customer or was initiated by the Industry Member;

(E) if the order is executed, in whole or in part:

(i) CAT-Order-ID;

(ii) date of execution;

(iii) time of execution (using timestamps pursuant to Rule 6.6860);

(iv) execution capacity (principal, agency or riskless principal);

(v) execution price and size;

(vi) SRO-Assigned Market Participant Identifier of the Industry Member executing the order;

(vii) whether the execution was reported pursuant to an effective transaction reporting plan or the Plan for Reporting of Consolidated Options Last Sale Reports and Quotation Information; and

(F) other information or additional events as may be prescribed pursuant to the CAT NMS Plan.

(2) Subject to paragraph (3) below, each Industry Member shall record and report to

the Central Repository the following, as applicable ("Received Industry Member Data" and collectively with the information referred to in Rule 6.6830(a)(1) "Industry Member Data")) in the manner prescribed by the Operating Committee pursuant to the CAT NMS Plan:

(A) if the order is executed, in whole or in part:

(i) An Allocation Report;

(ii) SRO-Assigned Market Participant Identifier of the clearing broker or prime broker, if applicable; and

(iii) CAT-Order-ID of any contra-side order(s);

(B) if the trade is cancelled, a cancelled trade indicator; and

(C) for original receipt or origination of an order, the Firm Designated ID for the relevant Customer, and in accordance with Rule 6.6840, Customer Account Information and Customer Identifying Information for the relevant Customer.

(3) Each Industry Member that is an Options Market Maker is not required to report to the Central Repository the Industry Member Data regarding the routing, modification or cancellation of its quotes in Listed Options. Each Industry Member that is an Options Market Maker shall report to the Exchange the time at which its quote in a Listed Option is sent to the Exchange (and, if applicable, any subsequent quote modification time and/or cancellation time when such modification or cancellation is originated by the Options Market Maker).

(b) Timing of Recording and Reporting

(1) Each Industry Member shall record Recorded Industry Member Data contemporaneously with the applicable Reportable Event.

(2) Each Industry Member shall report:

(A) Recorded Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member records such Recorded Industry Member Data; and

(B) Received Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on the Trading Day following the day the Industry Member receives such Received Industry Member Data.

(3) Industry Members may, but are not required to, voluntarily report Industry Member Data prior to the applicable 8:00 a.m. Eastern Time deadline.



(c) Applicable Securities

- (1) Each Industry Member shall record and report to the Central Repository the Industry Member Data as set forth in paragraph (a) of this Rule for each NMS Security registered or listed for trading on such exchange or admitted to unlisted trading privileges on such exchange.
- (2) Each Industry Member shall record and report to the Central Repository the Industry Member Data as set forth in this paragraph (a) of this Rule for each Eligible Security for which transaction reports are required to be submitted to FINRA.

(d) Security Symbology

- (1) For each exchange-listed Eligible Security, each Industry Member shall report Industry Member Data to the Central Repository using the symbology format of the exchange listing the security.
- (2) For each Eligible Security that is not exchange-listed, each Industry Member shall report Industry Member Data to the Central Repository using such symbology format as approved by the Operating Committee pursuant to the CAT NMS Plan.

(e) Error Correction

For each Industry Member for which errors in Industry Member Data submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected Industry Member Data to the Central Repository by 8:00 a.m. Eastern Time on T+3.

**Rule 6.6840. Consolidated Audit Trail - Customer Information Reporting**

(a) Initial Set of Customer Information

Each Industry Member shall submit to the Central Repository the Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account prior to such Industry Member's commencement of reporting to the Central Repository and in accordance with the deadlines set forth in Rule 6.6880.

(b) Daily Updates to Customer Information

Each Industry Member shall submit to the Central Repository any updates, additions or other changes to the Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account on a daily basis.

(c) Periodic Updates to Complete Set of Customer Information

On a periodic basis as designated by the Plan Processor and approved by the Operating Committee, each Industry Member shall submit to the Central Repository a complete set of Firm Designated IDs, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account.

(d) Error Correction

For each Industry Member for which errors in Firm Designated ID, Customer Account Information and Customer Identifying Information for each of its Customers with an Active Account submitted to the Central Repository have been identified by the Plan Processor or otherwise, such Industry Member shall submit corrected data to the Central Repository by 5:00 p.m. Eastern Time on T+3.

**Rule 6.6850. Consolidated Audit Trail - Industry Member Information Reporting**

Each Industry Member shall submit to the Central Repository information sufficient to identify such Industry Member, including CRD number and LEI, if such LEI has been obtained, prior to such Industry Member's commencement of reporting to the Central Repository and in accordance with the deadlines set forth in Rule 6.6880, and keep such information up to date as necessary.

**Rule 6.6860. Consolidated Audit Trail - Time Stamps**

(a) Millisecond Time Stamps

- (1) Subject to paragraphs (a)(2) and (b), each Industry Member shall record and report Industry Member Data to the Central Repository with time stamps in milliseconds.
- (2) Subject to paragraph (b), to the extent that any Industry Member's order handling or execution systems utilize time stamps in increments finer than milliseconds, such Industry Member shall record and report Industry Member Data to the Central Repository with time stamps in such finer increment.

(b) One Second Time Stamps/Electronic Order Capture

- (1) Each Industry Member may record and report Manual Order Events to the Central Repository in increments up to and including one second, provided that each Industry Member shall record and report the time when a Manual Order Event has been captured electronically in an order handling and execution system of such Industry Member ("Electronic Capture Time") in milliseconds; and
- (2) Each Industry Member may record and report the time of Allocation Reports in increments up to and including one second.

### **Rule 6.6865. Consolidated Audit Trail - Clock Synchronization Rule Violation**

An Industry Member that engages in a pattern or practice of reporting Reportable Events outside of the required clock synchronization time period as set forth in this Rule Series without reasonable justification or exceptional circumstances may be considered in violation of this Rule.

### **Rule 6.6870. Consolidated Audit Trail - Connectivity and Data Transmission**

#### **(a) Data Transmission**

Each Industry Member shall transmit data as required under the CAT NMS Plan to the Central Repository utilizing such format(s) as may be provided by the Plan Processor and approved by the Operating Committee.

#### **(b) Connectivity**

Each Industry Member shall connect to the Central Repository using a secure method(s), including, but not limited to private line(s) and virtual private network connection(s).

#### **(c) CAT Reporting Agents**

- (1) Any Industry Member may enter into an agreement with a CAT Reporting Agent pursuant to which the CAT Reporting Agent agrees to fulfill the reporting obligations of such Industry Member under this Rule 6.6800 Series. Any such agreement shall be evidenced in writing, which shall specify the respective functions and responsibilities of each party to the agreement that are required to effect full compliance with the requirements of this Rule Series.
- (2) All written documents evidencing an agreement described in subparagraph (1) shall be maintained by each party to the agreement.
- (3) Each Industry Member remains primarily responsible for compliance with the requirements of this Rule Series, notwithstanding the existence of an agreement described in this paragraph.

### **Rule 6.6880. Consolidated Audit Trail - Development and Testing**

#### **(a) Development**

##### **(1) Connectivity and Acceptance Testing**

(A) Industry Members (other than Small Industry Members) shall begin connectivity and acceptance testing with the Central Repository no later than August 15, 2018.

(B) Small Industry Members shall begin connectivity and acceptance testing with

the Central Repository no later than August 15, 2019.

(2) Reporting Customer and Industry Member Information

(A) Industry Members (other than Small Industry Members) shall begin reporting Customer and Industry Member information, as required by Rules 6.6840(a) and 6.6850, respectively, to the Central Repository for processing no later than October 15, 2018.

(B) Small Industry Members shall begin reporting Customer and Industry Member information, as required by Rules 6.6840(a) and 6.6850, respectively, to the Central Repository for processing no later than October 15, 2019.

(3) Submission of Order Data

(A) Industry Members (other than Small Industry Members)

(i) Industry Members (other than Small Industry Members) are permitted, but not required, to submit order data for testing purposes beginning no later than May 15, 2018.

(ii) Industry Members (other than Small Industry Members) shall participate in the coordinated and structured testing of order submission, which will begin no later than August 15, 2018.

(B) Small Industry Members

(i) Small Industry Members are permitted, but not required, to submit order data for testing purposes beginning no later than May 15, 2019.

(ii) Small Industry Members shall participate in the coordinated and structured testing of order submission, which will begin no later than August 15, 2019.

(4) Submission of Options Market Maker Quote. Industry Members are permitted, but not required to, submit Quote Sent Time on Options Market Maker quotes, beginning no later than October 15, 2018.

(b) Testing

Each Industry Member shall participate in testing related to the Central Repository, including any industry-wide disaster recovery testing, pursuant to the schedule established pursuant to the CAT NMS Plan.

### **Rule 6.6890. Consolidated Audit Trail - Recordkeeping**

Each Industry Member shall maintain and preserve records of the information required to be recorded under this Rule Series for the period of time and accessibility specified in SEC Rule 17a-4(b). The records required to be maintained and preserved under this Rule may be immediately produced or reproduced on "micrographic media" as defined in SEC Rule 17a-4(f)(1)(i) or by means of "electronic storage media" as defined in Exchange Act Rule 17a-4(f)(1)(ii) that meet the conditions set forth in SEC Rule 17a-4(f) and be maintained and preserved for the required time in that form.

### **Rule 6.6893. Consolidated Audit Trail - Timely, Accurate and Complete Data**

#### **(a) General**

Industry Members are required to record and report data to the Central Repository as required by this Rule Series in a manner that ensures the timeliness, accuracy, integrity and completeness of such data.

#### **(b) LEIs**

Without limiting the requirement set forth in paragraph (a), Industry Members are required to accurately provide the LEIs in their records as required by this Rule Series and may not knowingly submit inaccurate LEIs to the Central Repository; provided, however, that this requirement does not impose any additional due diligence obligations on Industry Members with regard to LEIs for CAT purposes.

#### **(c) Compliance with Error Rate**

If an Industry Member reports data to the Central Repository with errors such that the error percentage exceeds the maximum Error Rate established by the Operating Committee pursuant to the CAT NMS Plan, then such Industry Member would not be in compliance with the Rule 6.6800 Series.

#### **(d) Compliance Thresholds**

Each Industry Member shall be required to meet a separate compliance threshold which will be an Industry Member-specific rate that may be used as the basis for further review or investigation into the Industry Member's performance with regard to the CAT (the "Compliance Thresholds"). Compliance Thresholds will compare an Industry Member's error rate to the aggregate Error Rate over a period of time to be defined by the Operating Committee. An Industry Member's performance with respect to its Compliance Threshold will not signify, as a matter of law, that such Industry Member has violated this Rule Series.

## **Rule 6.6895. Consolidated Audit Trail - Compliance Dates**

### (a) General

Paragraphs (b) and (c) of this Rule set forth the additional details with respect to the compliance date of Rules 6.6800 through 6.6895. Unless otherwise noted, Rules 6.6800 through 6.6895 are fully effective and ETP Holders must comply with their terms.

### (b) Clock Synchronization

- (1) Each Industry Member shall comply with Rule 6.6820 with regard to Business Clocks that capture time in milliseconds commencing on or before March 15, 2017.
- (2) Each Industry Member shall comply with Rule 6.6820 with regard to Business Clocks that do not capture time in milliseconds commencing on or before February 19, 2018.

### (c) CAT Data Reporting

- (1) Each Industry Member (other than a Small Industry Member) shall record and report the Industry Member Data to the Central Repository by November 15, 2018.
- (2) Each Industry Member that is a Small Industry Member shall record and report the Industry Member Data to the Central Repository by November 15, 2019.

## **Rule 6.6900. Consolidated Audit Trail - Fee Dispute Resolution**

### (a) Definitions.

- (1) For purposes of this Rule, the terms "CAT NMS Plan", "Industry Member", "Operating Committee", and "Participant" are defined as set forth in Rule 6.6810 (Consolidated Audit Trail - Definitions).
- (2) "Subcommittee" means a subcommittee designated by the Operating Committee pursuant to the CAT NMS Plan.
- (3) "CAT Fee" means any fees contemplated by the CAT NMS Plan and imposed on Industry Members pursuant to Exchange Rules.

### (b) Fee Dispute Resolution.

Disputes initiated by an Industry Member with respect to CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, will be resolved by the Operating Committee, or a Subcommittee designated by the Operating Committee, of the CAT NMS Plan, pursuant to the Fee Dispute Resolution Procedures adopted pursuant to the CAT NMS Plan and set forth in

paragraph (c) of this Rule. Decisions on such matters will be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate forum.

#### Fee Dispute Resolution Procedures under the CAT NMS Plan.

##### (1) Scope of Procedures

These Fee Dispute Resolution Procedures provide the procedure for Industry Members that dispute CAT Fees charged to such Industry Member, including disputes related to the designated tier and the fee calculated pursuant to such tier, to apply for an opportunity to be heard and to have the CAT Fees charged to such Industry Member reviewed.

##### (2) Submission and Time Limitation on Application to CAT NMS, LLC ("Company")

An Industry Member that disputes CAT Fees charged to such Industry Member and that desires to have an opportunity to be heard with respect to such disputed CAT Fees will file a written application with the Company within 15 business days after being notified of such disputed CAT Fees. The application will identify the disputed CAT Fees, state the specific reasons why the applicant takes exception to such CAT Fees, and set forth the relief sought. In addition, if the applicant intends to submit any additional documents, statements, arguments or other material in support of the application, the same should be so stated and identified.

##### (3) Procedure Following Applications for Hearing

###### (A) Fee Review Subcommittee

The Company will refer applications for hearing and review promptly to the Subcommittee designated by the Operating Committee pursuant to Section 4.12 of the CAT NMS Plan with responsibility for conducting the reviews of CAT Fee disputes pursuant to these Fee Dispute Resolution Procedures. This Subcommittee will be referred to as the Fee Review Subcommittee. The members of the Fee Review Subcommittee will be subject to the provisions of Section 4.3(d) of the CAT NMS Plan regarding recusal and Conflicts of Interest.

###### (B) Record

The Fee Review Subcommittee will keep a record of the proceedings.

###### (C) Hearings and Documents

The Fee Review Subcommittee will hold hearings promptly. The Fee Review Subcommittee will set a hearing date. The parties to the hearing (as described in paragraph (4)(A) below) will furnish the Fee Review Subcommittee with all

materials relevant to the proceedings at least 72 hours prior to the date of the hearing. Each party will have the right to inspect and copy the other party's materials prior to the hearing.

#### (4) Hearing and Decision

##### (A) Parties

The parties to the hearing will consist of the applicant and a representative of the Company who will present the reasons for the action taken by the Company that allegedly aggrieved the applicant.

##### (B) Counsel

The applicant is entitled to be accompanied, represented and advised by counsel at all stages of the proceedings.

##### (C) Conduct of Hearing

The Fee Review Subcommittee will determine all questions concerning the admissibility of evidence and will otherwise regulate the conduct of the hearing. Each of the parties will be permitted to make an opening statement, present witnesses and documentary evidence, cross examine opposing witnesses and present closing arguments orally or in writing as determined by the Fee Review Subcommittee. The Fee Review Subcommittee also will have the right to question all parties and witnesses to the proceeding. The Fee Review Subcommittee will keep a record of the hearing. The formal rules of evidence will not apply.

##### (D) Decision

The Fee Review Subcommittee will set forth its decision in writing and send the written decision to the parties to the proceeding. Such decisions will contain the reasons supporting the conclusions of the Fee Review Subcommittee.

#### (5) Review

##### (A) Petition

The decision of the Fee Review Subcommittee will be subject to review by the Operating Committee either on its own motion within 20 business days after issuance of the decision or upon written request submitted by the applicant within 15 business days after issuance of the decision. The applicant's petition will be in writing and specify the findings and conclusions to which the applicant objects, together with the reasons for such objections. Any objection to a decision not specified in writing will be considered to have been abandoned and may be disregarded. Parties may petition to submit a written argument to the Operating



Committee and may request an opportunity to make an oral argument before the Operating Committee. The Operating Committee will have sole discretion to grant or deny either request.

(B) Conduct of Review

The Operating Committee will conduct the review. The review will be made upon the record and will be made after such further proceedings, if any, as the Operating Committee may order. Based upon such record, the Operating Committee may affirm, reverse or modify, in whole or in part, the decision of the Fee Review Subcommittee. The decision of the Operating Committee will be in writing, will be sent to the parties to the proceeding and will be final.

(6) Time Limit for Review

A final decision regarding the disputed CAT Fees by the Operating Committee, or the Fee Review Subcommittee (if there is no review by the Operating Committee), must be provided within 90 days of the date on which the Industry Member filed a written application regarding disputed CAT Fees with the Company pursuant to Paragraph (2) of these Fee Dispute Resolution Procedures. The Operating Committee may extend the 90-day time limit under this Paragraph (6) at its discretion.

(7) Miscellaneous Provisions

(A) Service of Notice

Any notices or other documents may be served upon the applicant either personally or by leaving the same at its, his or her place of business or by deposit in the United States post office, postage prepaid, by registered or certified mail, addressed to the applicant at its, his or her last known business or residence address.

(B) Extension of Certain Time Limits

Any time limits imposed under these Fee Dispute Resolution Procedures for the submission of answers, petitions or other materials may be extended by permission of the Operating Committee. All papers and documents relating to review by the Fee Review Subcommittee or the Operating Committee must be submitted to the Fee Review Subcommittee or Operating Committee, as applicable.

(8) Agency Review

Decisions on such CAT Fee disputes made pursuant to these Fee Dispute Resolution Procedures will be binding on Industry Members, without prejudice to the rights of any such Industry Member to seek redress from the SEC or in any other appropriate

forum.

(9) Payment of Disputed CAT Fees

(A) Timing of Fee Payment

An Industry Member that files a written application with the Company regarding disputed CAT Fees in accordance with these Fee Dispute Resolution Procedures is not required to pay such disputed CAT Fees until the dispute is resolved in accordance with these Fee Dispute Resolution Procedures, including any review pursuant to Paragraph (8). For the purposes of this Paragraph (9), the disputed CAT Fees means the amount of the invoiced CAT Fees that the Industry Member has asserted pursuant to these Fee Dispute Resolution Procedures that such Industry Member does not owe to the Company. The Industry Member must pay any invoiced CAT Fees that are not disputed CAT Fees when due as set forth in the original invoice.

(B) Interest on Unpaid CAT Fees

Once the dispute regarding CAT Fees is resolved pursuant to these Fee Dispute Resolution Procedures, if it is determined that the Industry Member owes any of the disputed CAT Fees, then the Industry Member must pay such disputed CAT Fees that are owed as well as interest on such disputed CAT Fees from the original due date (that is, 30 days after receipt of the original invoice of such CAT Fees) until such disputed CAT Fees are paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

**Rule 6.7400. ORDER AUDIT TRAIL SYSTEM**

**Rule 6.7410. Definitions**

For purposes of the Rule 6.7400 Series:

- (a) Terms shall have the same meaning as those defined in the Exchange Rules, unless otherwise specified.
- (b) "Bunched Order" shall mean two or more orders that are aggregated prior to execution.
- (c) "Customer" shall mean a person other than a broker or dealer.
- (d) "Electronic Communication Network" shall mean any electronic system that widely disseminates to third parties orders entered therein by an exchange market maker or over-the-counter market maker, and permits such orders to be executed in whole or in part, and as further defined in Rule 600(b)(23) of SEC Regulation NMS.

- (e) "Electronic Order" shall mean an order captured by an ETP Holder in an electronic order-routing or execution system.
- (f) "Exchange System" shall mean the service provided by the Exchange that provides for the automated execution and reporting of transactions in NMS Stocks.
- (g) "Index Arbitrage" shall mean a trading strategy in which pricing is based on discrepancies between a "basket" or group of stocks and the derivative index product (i.e. a basis trade) involving the purchase or sale of a "basket" or group of stocks in conjunction with the purchase or sale, or intended purchase or sale, of one or more derivative index products in an attempt to profit by the price difference between the "basket" or group of stocks and the derivative index products. While the purchase or sale of the stocks must be in conjunction with the purchase or sale of derivative index products, the transaction need not be executed contemporaneously to be considered index arbitrage. The term "derivative index products" refers to cash-settled options or futures contracts on index stock groups, and options on any such futures contracts.
- (h) "Intermarket sweep order" shall have the same meaning as contained in Rule 600(b)(30) of SEC Regulation NMS.
- (i) "Manual Order" shall mean an order that is captured by an ETP Holder other than in an electronic order-routing or execution system.
- (j) "NMS Stock" shall have the same meaning as contained in Rule 600(b)(47) of SEC Regulation NMS.
- (k) "Order" shall mean any oral, written, or electronic instruction to effect a transaction in an NMS Stock that is received by an ETP Holder from another person for handling or execution, or that is originated by a department of an ETP Holder for execution by the same or another ETP Holder, other than any such instruction to effect a proprietary transaction originated by a trading desk in the ordinary course of an ETP Holder's market making activities.
- (l) "Order Audit Trail System" shall mean the automated system owned and operated by FINRA that is designed to capture order information in NMS Stocks reported by ETP Holders for integration with trade and quotation information to provide the Exchange with an accurate time sequenced record of orders and transactions.
- (m) "Program Trading" means either (A) index arbitrage or (B) any trading strategy involving the related purchase or sale of a "basket" or group of 15 or more stocks. Program trading includes the purchases or sales of stocks that are part of a coordinated trading strategy, even if the purchases or sales are neither entered nor executed contemporaneously, nor part of a trading strategy involving options or futures contracts on an index stock group, or options on any such futures contracts, or otherwise relating to a stock market index.

(n) "Reporting Agent" shall mean a third party that enters into any agreement with an ETP Holder pursuant to which the Reporting Agent agrees to fulfill such ETP Holder's obligations under Rule 6.7450.

(o) "Reporting ETP Holder" shall mean an ETP Holder that receives or originates an order and has an obligation to record and report information under Rules 6.7440 and 6.7450. An ETP Holder shall not be considered a Reporting ETP Holder in connection with an order, if the following conditions are met:

- (1) the ETP Holder engages in a non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to a single receiving Reporting ETP Holder;
- (2) the ETP Holder does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting ETP Holder;
- (3) the receiving Reporting ETP Holder records and reports all information required under Rules 6.7440 and 6.7450 with respect to the order; and
- (4) the ETP Holder has a written agreement with the receiving Reporting ETP Holder specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of Rules 6.7440 and 6.7450.

(p) "Proprietary Trading Firm" shall mean an ETP Holder that trades its own capital and that does not have "customers," as that term is defined in NYSE National Rule 6.7410(c), and that is not a FINRA member. The funds used by a Proprietary Trading firm must be exclusively firm funds and all trading must be in the firm's accounts. Traders must be owners of, employees of, or contractors to the firm.

#### **Rule 6.7420. Applicability**

(a) Unless otherwise indicated, the requirements of the Rule 6.7400 Series are in addition to the requirements contained elsewhere in Exchange Rules.

(b) Unless otherwise indicated, the requirements of the Rule 6.7400 Series shall apply to all ETP Holders and to their Associated Persons.

(c) Unless otherwise indicated, the requirements of the Rule 6.7400 Series shall apply to all executed or unexecuted orders for all NMS Stocks traded on the Exchange.

#### **Rule 6.7430. Synchronization of ETP Holder Business Clocks**

Each ETP Holder shall synchronize its business clocks that are used for purposes of recording the date and time of any event that must be recorded pursuant to the Rules of the Exchange, with reference to a time source as designated by the Exchange, and shall maintain the synchronization of such business clocks in conformity with such procedures

as are prescribed by the Exchange.

**Rule 6.7440. Recording of Order Information**

(a) ETP Holders and Associated Persons shall comply with FINRA Rule 7440, which is incorporated by reference herein, as if such Rule were part of the Exchange's rules. The Exchange and FINRA are parties to the Regulatory Services Agreement pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, ETP Holders are complying with Rule 6.7440 by complying with FINRA Rule 7440 as written, including, for example, filing requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under NYSE National Rule 6.7440 are being performed by FINRA on behalf of the Exchange.

(b) For purposes of this Rule, references to Rules 6.7420 through 6.7460 shall be construed as references to NYSE National Rules 6.7420 through 6.7460.

(c) ETP Holders shall assign and enter a unique order identifier, in the form prescribed by the Exchange, to all orders that are electronically transmitted to the Exchange. An order identifier shall not be required for orders that are manually transmitted.

**Rule 6.7450. Order Data Transmission Requirements**

(a) Except as provided in paragraph (b), ETP Holders and Associated Persons shall comply with FINRA Rule 7450, which is incorporated by reference herein, as if such Rule were part of the Exchange's rules. The Exchange and FINRA are parties to the Regulatory Services Agreement pursuant to which FINRA has agreed to perform certain functions on behalf of the Exchange. Therefore, ETP Holders are complying with NYSE National Rule 6.7450 by complying with FINRA Rule 7450 as written, including, for example, filing requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under NYSE National Rule 6.7450 are being performed by FINRA on behalf of the Exchange.

(b) Proprietary Trading Firms shall be required to comply with FINRA Rule 7450 as if such Rule were part of the Exchange's rules, only when they receive a request from the Exchange to submit order information with respect to specific time periods identified in such request. Nothing in this Rule shall be construed to limit the obligations of Proprietary Trading Firms under any other Rule of the 6.7400 Series, including but not limited to, Rule 6.7440.

(c) For purposes of this Rule, references to Rule 6.7440 shall be construed as references to NYSE National Rule 6.7440.

**Rule 6.7460. Violation of Order Audit Trail System Rules**

Failure of an ETP Holder or Associated Person to comply with any of the requirements of Rule 6.7410 through Rule 6.7460 may be considered conduct that is inconsistent with

high standards of commercial honor and just and equitable principles of trade, in violation of Rule 11.3.1.

### **Rule 6.7470. Exemption to the Order Recording and Data Transmission Requirements**

(a) The Exchange, for good cause shown after taking into consideration all relevant factors, may exempt subject to specified terms and conditions, an ETP Holder from the recording and order data transmission requirements of Rules 6.7440 and 6.7450, respectively, for manual orders, if such exemption is consistent with the protection of investors and the public interest, and the ETP Holder meets the following criteria:

- (1) the ETP Holder and current control affiliates and Associated Persons have not been subject within the last five years to any final disciplinary action, and within the last ten years to any disciplinary action involving fraud;
- (2) the ETP Holder has annual revenues of less than \$2 million;
- (3) the ETP Holder does not conduct any market making activities in NMS Stocks;
- (4) the ETP Holder does not execute principal transactions with its customers (with limited exception for principal transactions executed pursuant to error corrections);  
and
- (5) the ETP Holder does not conduct clearing or carrying activities for other firms.

(b) An exemption provided pursuant to this Rule shall not exceed a period of two years. At or prior to the expiration of a grant of exemptive relief under this Rule, an ETP Holder meeting the criteria set forth in paragraph (a) above may request a subsequent exemption, which will be considered at the time of the request consistent with the protection of investors and the public interest.

(c) This Rule shall be in effect until November 15, 2019.

## **RULE 7 EQUITIES TRADING**

*In addition to using terms defined in Rule 1.1, this Rule 7 uses capitalized terms that refer to certain order types and modifiers that are defined in Rule 7.31 and other capitalized terms relating to trading sessions and the ranking of orders that are defined in Rules 7.34 and 7.36.*

### **Section 1. General Provisions**

#### **Rule 7.1. 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 through the facilities of the Exchange, before or after those hours.

(c) Except as may be otherwise determined by the Board of Directors, the President 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 President 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 President 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 7.2. 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 7.3. 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 Associated Persons have an interest as principal in any manner, the bills and confirmations rendered must so indicate.

### **Rule 7.4. 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 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 second preceding business day.

### **Rule 7.5. Trading Units**

The unit of trading in stocks is 1 share. A "round lot" is 100 shares, unless specified by the primary listing market to be fewer than 100 shares. Any amount less than a round lot will constitute an "odd lot," and any amount greater than a round lot that is not a multiple of a round lot will constitute a "mixed lot."

### **Rule 7.6. Trading Differentials**

The minimum price variation ("MPV") for quoting and entry of orders in securities traded on the Exchange is \$0.01, with the exception of securities that are priced less than \$1.00 for which the MPV for quoting and entry of orders is \$0.0001.

### **Rule 7.7. 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 7.8. Bid or Offer Deemed Regular Way**

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

### **Rule 7.9. Execution Price Binding**

Notwithstanding Rules 7.10 and 7.11, 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 7.10. Clearly Erroneous Executions**

The provisions of paragraphs (c), (e)(2), (f), and (g) of this Rule 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 paragraphs (c), (e)(2), (f), and (g) as described in former Rule 11.19 (SR-NSX-2010-07) 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 paragraph (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.

<b>Reference Price, Circumstance or Product:</b>	<b>Core Trading Session Numerical Guidelines (Subject transaction's % difference from the Reference Price):</b>	<b>Early and Late Trading Session Numerical Guidelines (Subject transaction's % difference from the Reference Price):</b>
Between \$0.00 and \$25.00	10%	20%
Between \$25.01 and \$50.00	5%	10%
Greater than \$50.00	3%	6%
Multi-Stock Event - Filings involving five or more, but less than twenty, securities whose executions occurred within a period of five minutes or less	10%	10%
Multi-Stock Event - Filings involving twenty or more securities whose executions	30%, subject to the terms of paragraph (c)(2) below	30%, subject to the terms of paragraph (c)(2) below

<p>occurred within a period of five minutes or less</p> <p>Leveraged ETF/ETN securities</p>	<p>Core Trading Session Numerical Guidelines multiplied by the leverage multiplier (e.g., 2x)</p>	<p>Core Trading Session Numerical Guidelines multiplied by the leverage multiplier (e.g. 2x)</p>
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(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 Rule, 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 this Rule but breaches the 52-week high or 52-week low, the Exchange may consider Additional Factors as outlined in Rule 7.10(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 paragraph (f) of this Rule if such Officer also determines under paragraph (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 7.10(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 paragraph (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 paragraph (e)(2)-(4) of this Rule.

(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 paragraph (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 paragraph (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 paragraph (e)(2)-(4) above.

(i) **Securities Subject to Limit Up-Limit Down Plan.** For purposes of this Rule, 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 Exchange 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 7.11. 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 Exchange Act, 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 7.31(a)(1)(B) (Trading Collars for Market Orders) and 7.31(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 7.31(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 7.16(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 7.16(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.

(b) **Re-opening of Trading following a Trading Pause.** If a primary listing market issues a Trading Pause, the Exchange will resume trading as provided for in Rule 7.18.

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

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.

(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. Eastern Time 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. Eastern Time and up to and including 3:25 p.m. Eastern Time, or in the case of an early scheduled close, 12:25 p.m. Eastern Time, 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. Eastern Time, or in the case of an early scheduled close, 12:25 Eastern Time.

(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) 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 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 7.13. Trading Suspensions**

Except as otherwise stated in Rule 5.5, the Chair of the Board or the President, or the officer designee of the Chair or the President, 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 7.14. 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 above in Rule 2; 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 7.15. 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 7.16. 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 Exchange Act.

(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) Reserved.
- (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").
- (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) - (I) 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 7.17. 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.

#### **Rule 7.18. Halts**

(a) UTP Regulatory Halts. If the UTP Listing Market declares a UTP Regulatory Halt, the Exchange will halt trading in that security until it receives notification from the UTP Listing Market that the halt or suspension is no longer in effect or as provided for in Rules 7.11 and 7.12, provided that, during Core Trading Hours, the Exchange will halt trading until it receives the first Price Band in that security. If a UTP Regulatory Halt was issued for the purpose of dissemination of material news, the Exchange will assume that adequate publication or dissemination has occurred upon the expiration of one hour after initial publication in a national news dissemination service of the information that gave rise to an UTP Regulatory Halt and may, at its discretion, reopen trading at that time, notwithstanding notification from the UTP Listing Market that the halt or suspension is no longer in effect.

(b) The Exchange will not conduct a reopening auction in a UTP Security and will process new and existing orders in a UTP Security during a UTP Regulatory Halt as follows:

- (1) cancel any unexecuted portion of Market Orders and orders not eligible to trade in the current trading session on the Exchange Book;
- (2) maintain all other resting orders in the Exchange Book at their last working price and display price;
- (3) accept and process all cancellations;
- (4) process a request to cancel and replace as a cancellation without replacing the order;
- (5) accept and route new Market Orders, Primary Only MOO/LOO Orders, Primary Only Day Orders, and Primary Only MOC/LOC Orders to the primary listing market; and
- (6) reject all other incoming order instructions until the security begins trading on the Exchange pursuant to paragraph (a) of this Rule.

(c) Halts in Exchange Traded Products.

(1) Trading Halts for UTP Exchange Traded Products.

(A) Early Trading Session. If a UTP Exchange Traded Product begins trading on the Exchange in the Early Trading Session and subsequently a temporary interruption occurs in the calculation or wide dissemination of the Intraday Indicative Value ("IIV") or the value of the underlying index, as applicable, to such UTP Exchange Traded Product, by a major market data vendor, the Exchange may continue to trade the UTP Exchange Traded Product for the remainder of the Early Trading Session.

(B) Core Trading Session. During the Core Trading Session, if a temporary interruption occurs in the calculation or wide dissemination of the applicable IIV or value of the underlying index by a major market data vendor and the listing market halts trading in the UTP Exchange Traded Product, the Exchange, upon notification by the primary listing market of such halt due to such temporary interruption, also shall immediately halt trading in the UTP Exchange Traded Product on the Exchange.

(C) Late Trading Session and Next Business Day's Early Session.

(1) If the IIV or the value of the underlying index continues not to be calculated or widely available after the close of the Core Trading Session, the Exchange may trade the UTP Exchange Traded Product in the Late Trading Session only if the listing market traded such securities until the close of its regular trading session without a halt.

(2) If the IIV or the value of the underlying index continues not to be calculated or widely available as of the commencement of the Early Trading Session on the next business day, the Exchange shall not commence trading of the UTP Exchange Traded Product in the Early Trading Session that day. If an interruption in the calculation or wide dissemination of the IIV or the value of the underlying index continues, the Exchange may resume trading in the UTP Exchange Traded Product only if calculation and wide dissemination of the IIV or the value of the underlying index resumes or trading in the UTP Exchange Traded Product resumes in the primary listing market.

## **Section 2. Market Makers**

### **Rule 7.20. Registration of Market Makers**

(a) No ETP Holder shall act as a Market Maker in any security (including but not limited to entering Q orders as defined in Rule 7.31(l)) unless such ETP Holder is registered as a Market Maker in such security by the Exchange pursuant to this Rule and the Exchange has not suspended or canceled such registration. Registered Market Makers are designated as dealers on the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder.

(b) An applicant for registration as a Market Maker shall file an application in writing on such form as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider such factors including, but not limited to capital operations, personnel, technical resources, and disciplinary history.

(c) An applicant's registration as a Market Maker shall become effective upon receipt by the ETP Holder of notice of an approval of registration by the Exchange. In the event that an application is disapproved by the Exchange, the applicant shall have an opportunity to be heard upon the specific grounds for the denial, in accordance with the provisions of



the Rule 10.9500 Series.

(d) The registration of a Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Rule 7.23.

(e) Any registered Market Maker may withdraw its registration by giving written notice to the Exchange. Such withdrawal of registration will become effective on the business day following the Exchange's receipt of the notice. A Market Maker that fails to notify the Exchange of its written notice of withdrawal on the business day prior to such withdrawal may be subject to formal disciplinary action pursuant to the Rule 10.9000 Series. Subsequent to withdrawal, the ETP Holder will not be permitted to re-register as a Market Maker for a period of six months.

### **Rule 7.21. Obligations of Market Maker Authorized Traders**

(a) *General.* MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered.

(b) *Registration of Market Maker Authorized Traders.* The Exchange may, upon receiving an application in writing from a Market Maker on a form prescribed by the Exchange, register a person as a MMAT.

- (1) MMATs may be officers, partners, employees or other Associated Persons of ETP Holders that are registered with the Exchange as Market Makers.
- (2) To be eligible for registration as a MMAT, a person must successfully complete the Securities Trader Examination (Series 57) and complete a training and certification program sponsored by the Exchange; provided, however, the requirement to complete the Series 57 Examination may be waived by the Exchange if the applicant MMAT has served as a dealer-specialist or market maker on a registered national securities exchange or association for at least two consecutive years within three years of the date of application.
- (3) The Exchange may require a Market Maker to provide additional information the Exchange considers necessary to establish whether registration should be granted.
- (4) The Exchange may grant a person conditional registration as a MMAT subject to any conditions it considers appropriate in the interests of maintaining a fair and orderly market.
- (5) A Market Maker must ensure that a MMAT is properly qualified to perform market making activities, including but not limited to ensuring the MMAT has met the requirements set forth in paragraph (b)(2) of this Rule.

(c) *Suspension or Withdrawal of Registration.*

- (1) The Exchange may suspend or withdraw the registration previously given to a person to be a MMAT if the Exchange determines that:
  - (A) the person has caused the Market Maker to fail to comply with the securities laws, rules and regulations or the Bylaws, Rules and procedures of the Exchange;
  - (B) the person is not properly performing the responsibilities of a MMAT;
  - (C) the person has failed to meet the conditions set forth under paragraph (b) above;  
or
  - (D) the Exchange believes it is in the interest of maintaining fair and orderly markets.
- (2) If the Exchange suspends the registration of a person as a MMAT, the Market Maker must not allow the person to submit orders into the Exchange.
- (3) The registration of a MMAT will be withdrawn upon the written request of the ETP Holder for which the MMAT is registered. Such written request shall be submitted on the form prescribed by the Exchange.

**Rule 7.22. Registration of Market Makers in a Security**

(a) A Market Maker may become registered in a newly authorized security or in a security already admitted to dealings on the Exchange by filing a security registration form with the Exchange. Registration in the security shall become effective on the first business day following the Exchange's approval of the registration. In considering the approval of the registration of the Market Maker in a security, the Exchange may consider:

- (1) the financial resources available to the Market Maker;
- (2) the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;
- (3) the Market Maker's operational capability;
- (4) the maintenance and enhancement of competition among Market Makers in each security in which they are registered;
- (5) the existence of satisfactory arrangements for clearing the Market Maker's transactions;
- (6) the character of the market for the security, *e.g.*, price, volatility, and relative liquidity.

(b) A Market Maker's registration in a security may be terminated by the Exchange if the Market Maker fails to enter quotations in the security within five (5) business days after the Market Maker's registration in the security becomes effective.

(c) Reserved.

(d) Reserved.

(e) *Voluntary Termination of Security Registration.* A Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a one-day written notice of such termination. A Market Maker that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action pursuant to the Rule 10.9000 Series.

(f) The Exchange may suspend or terminate any registration of a Market Maker in a security or securities under this Rule whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.

(g) An ETP Holder may seek review of any action taken by the Exchange pursuant to this Rule, including the denial of the application for, or the termination or suspension of, a Market Maker's registration in a security or securities, in accordance with the Rule 10.9500 Series.

### **Rule 7.23. Obligations of Market Makers**

(a) *General.* ETP Holders who are registered as Market Makers in one or more securities traded on the Exchange must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange in accordance with this Rule. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

(1) A Market Maker shall maintain continuous, two-sided trading interest in those securities in which the Market Maker is registered to trade ("Two-Sided Obligation").

(A) Two-Sided Obligation. For each security in which an ETP Holder is registered as a Market Maker, in satisfaction of the ETP Holder's Two-Sided Obligation, the ETP Holder shall be willing to buy and sell such security for its own account on a continuous basis during Core Trading Hours and shall 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 the Exchange Book at all times. Interest eligible to be considered as part of a Market Maker's Two-Sided Obligation shall have a displayed size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a Market Maker 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, a Market Maker

must ensure that additional trading interest exists in the Exchange 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 the Exchange Book that will satisfy this obligation.

(B) *Pricing Obligations.* For NMS Stocks a Market Maker shall adhere to the pricing obligations established by this Rule during Core Trading Hours; 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 (Offer) Quotations. At the time of entry of bid (offer) interest satisfying the Two-Sided Obligation, the price of the bid (offer) interest shall be not more than the Designated Percentage away from the then current National Best Bid (Offer), or if no National Best Bid (Offer), not more than the Designated Percentage away from the last reported sale from the responsible single plan processor. In the event that the National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale) increases (decreases) to a level that would cause the bid (offer) interest of the Two-Sided Obligation to be more than the Defined Limit away from the National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale) or if the bid (offer) is executed or cancelled, the Market Maker shall enter new bid (offer) interest at a price not more than the Designated Percentage away from the then current National Best Bid (Offer) (or if no National Best Bid (Offer), the last reported sale), or identify to the Exchange current resting interest that satisfies the Two-Sided Obligation.

(ii) The National Best Bid and Offer 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 Tier 1 NMS Stocks under the Limit Up-Limit Down Plan ("Tier 1 NMS Stocks"), 28% for Tier 2 NMS Stocks under the Limit Up - Limit Down Plan ("Tier 2 NMS Stocks") with a price equal to or greater than \$1.00, and 30% for Tier 2 NMS Stocks with a price lower than \$1.00, except that between 9:30 a.m. and 9:45 a.m. Eastern Time and between 3:35 p.m. Eastern Time and the close of Core Trading Hours, the Designated Percentage shall be 20% for Tier 1 NMS Stocks, 28% for Tier 2 NMS Stocks with a price equal to or greater than \$1.00, and 30% for Tier 2 NMS Stocks with a price lower than \$1.00. For purposes of this paragraph, rights and warrants will be considered Tier 2 NMS Stocks.

(iv) For purposes of this rule, the " Defined Limit" shall be 9.5% for Tier 1 NMS Stocks, 29.5% for Tier 2 NMS Stocks with a price equal to or greater than \$1.00, and 31.5% for Tier 2 NMS Stocks with a price lower than \$1.00, except that between 9:30 a.m. and 9:45 a.m. Eastern Time and between 3:35 p.m. Eastern Time and the close of Core Trading Hours, the Defined Limit shall be 21.5% for Tier 1 NMS Stocks, 29.5% for Tier 2 NMS Stocks with a price equal to or greater than \$1.00, and 31.5% for Tier 2 NMS Stocks with a price lower than \$1.00. For purposes of this paragraph, rights and warrants will be considered Tier 2 NMS Stocks.

(C) Nothing in this Rule shall preclude a Market Maker from entering trading interest at price levels that are closer to the National Best Bid and Offer than the levels required by this Rule;

(2) A Market Maker shall maintain adequate minimum capital in accordance with the provisions of Rule 15c3-1 under the Exchange Act.

(3) A Market Maker shall remain in Good Standing with the Exchange;

(4) A Market Maker shall inform the Exchange of any material change in financial or operational condition or in personnel.

(5) A Market Maker shall clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another ETP Holder that clears trades through such agency.

(b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during the Core Trading Hours on all days in which the Exchange is open for business.

(c) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Exchange in one or more of the securities in which the Market Maker is registered. Nothing in this Rule will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule. In accordance with the procedures set forth in the Rule 10.9000 Series, an ETP Holder may seek review of actions taken by the Exchange pursuant to this Rule.

(d) *Temporary Withdrawal.* A Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is registered. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on

such request and, if the request is granted, the Exchange may temporarily reassign the securities to another Market Maker.

**Rule 7.24. Reserved.**

**Rule 7.25. Reserved.**

**Rule 7.26. Reserved.**

**Rule 7.27. Reserved.**

**Rule 7.28. NMS Market Access**

(a) Pursuant to the requirements of Rule 610 of Regulation NMS, ETP Holders may elect to allow efficient order execution access to its quotations through the utilization of private electronic linkages between the NMS Participant, as defined in Rule 600(b)(53) of Regulation NMS, and other Trading Centers.

(b) In accordance with Regulation NMS, an NMS Participant shall not impose, nor permit to be imposed, any fee or fees for the execution of an order against a Protected Quotation of the NMS Participant in an Eligible Security or against any other quotation of the NMS Participant in an Eligible Security that is the NMS Participant's best bid or offer for that Eligible Security, where such fee or fees exceed the limits provided for in Rule 610(c) of Regulation NMS. As required under Regulation NMS, the terms of access to an NMS Participant's quotations in an Eligible Security may not be unfairly discriminatory so as to prevent or prohibit any person from obtaining efficient access to such displayed quotations through a member of the NMS Participant.

**Section 3. Exchange Trading**

**Rule 7.29. 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 7.30. 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 the 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 7.31. 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 the greater of \$0.15 or 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 7.10(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 greater of \$0.15 or the

specified percentage rounded down to the MPV for the security, and the lower boundary is the consolidated last sale price decreased by the greater of \$0.15 or the specified percentage rounded down 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) the greater of \$0.15 or 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 7.10(c)(1) (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 once it becomes eligible to trade. 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 7.6, 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 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.

(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.

(c) Auction-Only Order. A Limit or Market Order that is only to be routed to the primary listing market pursuant to Rule 7.34(c).

(1) A Limit-on-Open Order ("LOO Order"). A LOO Order is a Limit Order that is to be traded only during an opening or re-opening auction of the primary listing market.

(2) A Market-on-Open Order ("MOO Order"). A MOO Order is a Market Order that is to be traded only during an opening or re-opening auction of the primary listing market.

(3) Limit-on-Close Order ("LOC Order"). A LOC Order is a Limit Order that is to be traded only during a closing auction of the primary listing market.

(4) Market-on-Close Order ("MOC Order"). A MOC Order is a Market Order that is to be traded only during a closing auction of the primary listing market.

(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: Limit Non-Routable 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 and is valid for any trading session.

(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.

(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) An Aggressing MPL Order to buy (sell) will trade with resting orders to sell (buy) with a working price at or below (above) the midpoint of the PBBO at the working price of the resting orders. Resting MPL Orders to buy (sell) will trade at the midpoint of the PBBO against all Aggressing 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 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.

(E) An MPL Order may be designated with an ALO Modifier ("MPL-ALO Order").

(i) An Aggressing 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 at the working price of the resting orders, but will not trade with resting orders to sell (buy) priced at the midpoint of the PBBO unless such resting order is designated with a Non-Display Remove Modifier pursuant to paragraph (d)(3)(F) of this Rule.

(ii) If an MPL-ALO Order to buy (sell) cannot trade with a same-priced resting order to sell (buy), a subsequently arriving order to sell (buy) eligible to trade at the midpoint will trade ahead of a resting order to sell (buy) that is not displayed at that price. If such resting order to sell (buy) is displayed, the MPL-ALO Order to buy (sell) will not be eligible to trade at that price.

(F) 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.

(e) Orders with Instructions Not to Route

(1) Limit Non-Routable Order. A Limit Order that does not route.

(A) A Limit Non-Routable 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) A Limit Non-Routable Order with a working price different from the display price is ranked Priority 3-Non-Display Orders and a Limit Non-Routable Order with a working price equal to the display price is ranked Priority 2-Display Orders.

(C) A Limit Non-Routable Order may be designated with a Non-Display Remove Modifier. If so designated, a Limit Non-Routable 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. A Limit Non-Routable 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) An ALO Order 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 Limit Non-Routable 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 contra-side 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.
- (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 Limit Non-Routable 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 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 non-routable order, and will remain at the Away Market until executed or cancelled. A Primary Only Day/IOC Order in NYSE-, NYSE Arca-, and NYSE American-listed securities may include an instruction to be routed to NYSE, NYSE Arca, or NYSE American as a routable order, in which case such order would remain at the NYSE, NYSE Arca, or NYSE American 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").

(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.

(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) 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) Reserved

(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.

(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.
- (3) Minimum Trade Size ("MTS") Modifier. A Limit IOC Order, MPL Order, or Tracking Order may be designated with an MTS Modifier.
- (A) An MTS must be a minimum of a round lot. An order with an MTS Modifier will be rejected if the MTS is less than a round lot or if the MTS is larger than the size of the order.
- (B) On arrival, an order to buy (sell) with an MTS Modifier will trade with sell (buy) orders in the Exchange Book that in the aggregate meet such order's MTS.
- (C) An order with an MTS Modifier that is designated Day and cannot be satisfied on arrival will not trade and will be ranked in the Exchange Book. In such case, the order to buy (sell) with an MTS Modifier that is ranked in the Exchange Book will not be eligible to trade:
- (i) at a price equal to or above (below) any sell (buy) orders that are displayed and that have a working price equal to or below (above) the working price of such order with an MTS Modifier; or
  - (ii) at a price above (below) any sell (buy) orders that are not displayed and that have a working price below (above) the working price of such order with an MTS Modifier.
- (D) An order with an MTS Modifier that is designated IOC and cannot be immediately satisfied will be cancelled in its entirety.
- (E) A resting order to buy (sell) with an MTS Modifier will trade with individual

sell (buy) order(s) that each meets the MTS.

(i) If an Aggressing Order to sell (buy) order does not meet the MTS of the resting order to buy (sell) with an MTS Modifier, that Aggressing Order will not trade with and may trade through such order with an MTS Modifier.

(ii) If a resting non-displayed sell (buy) order did not meet the MTS of a same-priced resting order to buy (sell) with an MTS Modifier, a subsequently arriving sell (buy) order that meets the MTS will trade ahead of a resting non-displayed sell (buy) order at that price.

(F) A resting order with an MTS Modifier will be cancelled if it is traded in part or reduced in size and the remaining quantity is less than such order's MTS.

(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 a Limit Non-Routable Order, ALO Order, or ISO.

(2) Market Makers must enter Q Orders in securities in which they are registered in accordance with Rule 7.23, 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 7.23.

***Commentary:***

**.01** Order Type and Modifier Combinations. Users may combine order types and modifiers, unless the terms of the proposed combination are inconsistent.

**.02** If two order types are combined that include instructions both for operation on arrival and for how the order operates while resting on the Exchange Book, the instructions governing functionality while incoming will be operative upon arrival. Functionality governing how the order operates while resting on the Exchange Book will govern any remaining balance of the order that is not executed upon arrival.

**Rule 7.32. 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 7.33. Capacity Codes**

Consistent with Rules of the Exchange, ETP Holder Users of the Exchange 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 accepted by the Exchange from ETP Holders are subject to the same display and execution processes as agency orders.

### **Rule 7.34. Trading Sessions**

(a) *Sessions.* The Exchange will have three trading sessions each day the Exchange 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.
- (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.
- (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 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 7.31 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) Reserved.

(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 Core Trading Session.

(D) 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 Rule 7.31 that are designated for the Core Trading Session are eligible to participate in the Core Trading Session.

(A) Market Orders 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 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 Late Trading Session.

(3) Late Trading Session. Unless otherwise specified in paragraph (c)(3)(A) - (C), the orders and modifiers defined in Rule 7.31 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:
  - (A) 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.
  - (B) 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.
  - (C) 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.
  - (D) 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.

(E) 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.

(F) 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.

(G) Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV"). For certain Exchange Traded 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 7.35. Reserved**

### **Rule 7.36. Order Ranking and Display**

(a) Definitions for purposes of Rule 7 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.
- (5) "Aggressing Order" means a buy (sell) order that is or becomes marketable against sell (buy) interest on the Exchange Book. A resting order may become an Aggressing Order if its working price changes, if the PBBO or NBBO is updated, because of changes to other orders on the Exchange Book, or when processing



inbound messages.

(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 7.7, 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 Rule 7.31.

### **Rule 7.37. Order Execution and Routing**

- (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 Rule 7.31.

(3) Orders eligible to route will be routed to all available Away Markets unless the order includes an instruction to bypass Away Markets that are not displaying protected quotations.

(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 7.34 or designated to route to the primary listing market pursuant to Rule 7.31, 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 7.34 or designated to route to the primary listing market pursuant to Rule 7.31, 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 7.36.

(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:

<b>Market Center</b>	<b>Primary Source</b>	<b>Secondary Source</b>
Cboe BZX Exchange, Inc.	Direct Feed	SIP Data Feed
Cboe BYX Exchange, Inc.	Direct Feed	SIP Data Feed
Cboe EDGA Exchange, Inc.	Direct Feed	SIP Data Feed
Cboe EDGX Exchange, Inc.	Direct Feed	SIP Data Feed
Chicago Stock Exchange, Inc.	SIP Data Feed	n/a
Investors' Exchange, LLC	SIP Data Feed	n/a
Nasdaq BX, Inc.	Direct Feed	SIP Data Feed
Nasdaq PHLX LLC	Direct Feed	SIP Data Feed
The Nasdaq Stock Market LLC	Direct Feed	SIP Data Feed
New York Stock Exchange LLC	Direct Feed	SIP Data Feed
NYSE American LLC	SIP Data Feed	n/a
NYSE Arca, Inc.	Direct Feed	SIP Data Feed

(1) The Exchange receives data feeds directly from broker dealers for purposes of routing interest to Away Markets that are not displaying protected quotations.

(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 User has complied with Rule 7.37(e)(3)(C).

(3) Reserved.

(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 7.38. Odd and Mixed Lots**

(a) *Order Types.* Rule 7.31 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). An odd-lot order ranked Priority 2 - Display Orders will not be assigned a new working time if its working price is adjusted under this Rule. If the display price of an odd lot order to buy (sell) is above (below) its working price, it will be ranked based on its display price.

(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 7.39. Reserved.**

### **Rule 7.40. Trade Execution and Reporting**

Executions occurring as a result of orders matched against the Exchange Book shall be reported by the Exchange to an appropriate consolidated transaction reporting system. Executions occurring as a result of orders routed away from the Exchange shall be reported to an appropriate consolidated transaction reporting system by the relevant reporting market center. The Exchange shall promptly notify ETP Holders of all executions of their orders as soon as such executions take place.

### **Rule 7.41. 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 Exchange Act) 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.

**Rule 7.42. Reserved.**

**Rule 7.43. Reserved.**

**Rule 7.44. Reserved.**

**Section 4. Operation of Routing Broker**

**Rule 7.45. Operation of Routing Broker**

(a) The term "Routing Broker" shall mean the broker-dealer affiliate of the Exchange and/or any other non-affiliate 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 the Rules of the Exchange and federal securities laws. The Routing Brokers will operate as described in this Rule 7.45.

(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 Exchange Act), subject to Section 6 of the Exchange 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) An 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 American LLC ("NYSE American"), 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 American, 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 7.45(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 Rule 7.45(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 American, NYSE Arca, and NYSE on the same terms and conditions as it does for the Exchange, and in accordance with the Rules of NYSE American, NYSE Arca, and NYSE, Arca Securities may provide inbound routing services to the Exchange from NYSE American, 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 7.45(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 7.41(a).

(B) Except as provided in Rule 7.45(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 7.41(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 7.46. 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 Rule 11.5320.03 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.

(C) The Exchange, as DEA, shall collect the data required by Item I of Appendix C to the Plan and paragraph (b)(4)(A) above for those ETP Holders that are Market Makers for which the Exchange is DEA, and on a monthly basis transmit such data, categorized by the Control Group and each Test Group, to the SEC in a pipe delimited format. The Exchange, as DEA, shall also make the data collected pursuant to subparagraph (4) of Rule 7.46(b) available to FINRA for aggregation and publication, categorized by the Control Group and each Test Group, on the FINRA website pursuant to FINRA Rules.

(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.

(C) 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 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")



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 7.6.

(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 9.5320 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 9.5320 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, and do not route.

(B) A TA ISO will be immediately traded with contra-side displayed and non-displayed 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 7.6, 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) Orders will not be routed to Away Markets that are not displaying protected quotations.

(C) The display price of Limit Orders to buy (sell) repriced under Rule 7.31(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 7.31(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, a Limit Non-Routable 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, a Limit Non-Routable 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 pursuant to Appendix B and C of 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, with respect to data for the Pre-Pilot Period and Pilot Period, the requirement that the Exchange or their DEA make Appendix B data publicly available on the Exchange's or DEA's website shall commence on August 31, 2017. Notwithstanding the provisions of paragraph (b)(4) of this Rule, the Exchange or their DEA shall make Appendix C data for the Pre-Pilot Period through January 2017 publicly available on the Exchange's or DEA's website 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 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.

## **Section 6. Contracts in Securities**

### **Rule 7.60. Definitions and General Provisions**

(a) The following terms used in this Section 6 of this Rule shall, unless otherwise indicated, have the meanings herein specified:

- (1) The term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Exchange Act.
- (2) The term "depository eligible securities" shall mean securities that (A) are part of an issue (as identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (B) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(b) *Municipal Securities*. Notwithstanding the provisions of Rule 7, all contracts in municipal securities must be compared, settled and cleared in accordance with the applicable regulations of the Municipal Securities Rulemaking Board.

### **Rule 7.61.**

(a) *ETP Contracts*. All contracts in the ordinary course of business of an ETP Holder with any other ETP Holder for the purchase, sale, borrowing, loaning or hypothecating of securities, or for the borrowing, loaning or payment of money, whether occurring through the facilities of the Exchange or elsewhere, are ETP contracts of the Exchange unless made subject to the rules of another exchange.

(b) *Provisions Included in ETP Contracts*. All bids made and accepted, and all offers made and accepted in accordance with the Bylaws, Rules, and procedures of the Exchange shall be binding. The applicable provisions of the Bylaws, Rules, and procedures of the Exchange and all other regulations adopted pursuant thereto, shall be part of the terms and conditions of all ETP contracts and all contracts thereby effected, and shall be subject to said provisions and to the exercise by the Board of Directors of the Exchange of the powers in respect thereto vested in them.

(c) *Extend or Postpone Time, Prescribe Special Terms*. Notwithstanding the foregoing subparagraphs (a) and (b) of this Rule or any other provisions of the Bylaws or Rules of the Exchange to the contrary, the Board of Directors may extend or postpone the time or prescribe special terms and conditions for the performance or settlement of ETP contracts whenever such action is called for by the public interest or by just and equitable principles of trade.

### **Rule 7.62. Delivery of Securities**

(a) Reserved.

(b) *Book Entry Settlement of Transactions.*

(1) An ETP Holder shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another financial intermediary or a member of a national securities exchange or a registered securities association.

(2) An ETP Holder shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.

(3) This Rule shall not apply to transactions that are settled outside of the United States.

(4) The requirements of this Rule shall supersede any inconsistent requirements under the Bylaws and Rules of the Exchange.

(5) This Rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and

(A) if the transaction is for same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cutoff time established by the depository for same-day crediting of deposited securities; or

(B) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

(c) Reserved.

**RULE 8 Reserved**

**RULE 9 Reserved**

**RULE 10 DISCIPLINARY PROCEEDINGS, OTHER HEARINGS AND APPEALS**

**RULE 10.8000. INVESTIGATIONS AND SANCTIONS**

**RULE 10.8100. GENERAL PROVISIONS**

**Rule 10.8110. Availability of Rules for Customers**

ETP Holders shall make available a current copy of the Exchange rules for examination by customers upon request. ETP Holders may comply with this Rule by maintaining

electronic access to the Exchange rules and providing customers with such access upon request.

**Rule 10.8120. Definitions**

(a) Unless otherwise provided, terms used in the Rule 10.8000 Series shall have the same meaning as in applicable Exchange rules.

(b) The terms "Adjudicator" and "Regulatory Staff" shall have the same meaning as in Rule 10.9120.

**Rule 10.8130. Retention of Jurisdiction**

(a) An ETP Holder that resigns or has its ETP canceled or revoked shall continue to be subject to the filing of a complaint under Exchange rules based upon conduct which commenced prior to the effective date of ETP Holder's resignation from the Exchange or the cancellation or revocation of its ETP. Any such complaint, however, shall be filed within two years after the effective date of resignation, cancellation, or revocation.

(b) A person whose status as an Associated Person has been terminated and who is no longer an Associated Person of any ETP Holder or an Associated Person whose registration has been revoked or canceled shall continue to be subject to the filing of a complaint under Exchange rules based upon conduct that commenced prior to the termination, revocation, or cancellation or upon such person's failure, while subject to the jurisdiction of the Exchange as provided herein, to provide information requested by the Exchange pursuant to Exchange rules, but any such complaint shall be filed within:

(1) two years after the effective date of termination of registration pursuant to Rule 2.7, provided, however that any amendment to a notice of termination filed pursuant to such rule that is filed within two years of the original notice that discloses that such person may have engaged in conduct actionable under any applicable statute, rule, or regulation shall operate to recommence the running of the two-year period under this Rule;

(2) two years after the effective date of revocation or cancellation of registration pursuant to Exchange rules; or

(3) in the case of an unregistered person, two years after the date upon which such person ceased to be an Associated Person of the ETP Holder.

(c) A person whose status as an Associated Person is terminated and who is no longer an Associated Person of any ETP Holder shall continue to be subject to a proceeding to suspend his or her ability to associate with an ETP Holder based on such person's failure to comply with an arbitration award or a written and executed settlement agreement

obtained in connection with an arbitration or mediation submitted for disposition pursuant to Exchange rules, provided that such proceeding is instituted within two years after the date of entry of such award or settlement.

## **RULE 10.8200. INVESTIGATIONS**

### **Rule 10.8210. Provision of Information and Testimony and Inspection and Copying of Books**

#### **(a) Authority of Adjudicator and Exchange Staff**

For the purpose of an investigation, complaint, examination, or proceeding authorized by Exchange rules, an Adjudicator or Exchange staff shall have the right to:

(1) require an ETP Holder or Associated Person to provide information orally, in writing, or electronically (if the requested information is, or is required to be, maintained in electronic form) and to testify at a location specified by Exchange staff, under oath or affirmation administered by a court reporter or a notary public if requested, with respect to any matter involved in the investigation, complaint, examination, or proceeding; and

(2) inspect and copy the books, records, and accounts of such ETP Holder or Associated Person with respect to any matter involved in the investigation, complaint, examination, or proceeding that is in such ETP Holder's or Associated Person's possession, custody or control.

In performing the functions of investigation, complaint, examination, or proceeding authorized by Exchange rules, the CRO and Regulatory Staff shall function independently of the commercial interests of the Exchange and the commercial interests of ETP Holders. No member of the Board of Directors or non-Regulatory Staff may interfere with or attempt to influence the process or resolution of any pending investigation or disciplinary proceeding.

#### **(b) Other SROs and Regulators**

(1) Exchange staff may enter into an agreement with a domestic federal agency, or subdivision thereof, or foreign regulator to share any information in the Exchange's possession for any regulatory purpose set forth in such agreement, provided that the agreement must require the other regulator, in accordance with the terms of the agreement, to treat any shared information confidentially and to assert such confidentiality and other applicable privileges in response to any requests for such information from third parties.

Any such agreement with a foreign regulator must also meet the following conditions:

(A) the other regulator party to the agreement must have jurisdiction over common regulatory matters; and

(B) the agreement must require the other regulator to reciprocate and share with the Exchange information of regulatory interest or concern to the Exchange.

(2) Exchange staff may exercise the authority set forth in paragraph (a) for the purpose of an investigation, complaint, examination, or proceeding conducted by another domestic or foreign self-regulatory organization, association, securities or contract market, or regulator of such markets with which the Exchange has entered into an agreement providing for the exchange of information and other forms of material assistance solely for market surveillance, investigative, enforcement, or other regulatory purposes.

**(c) Requirement to Comply**

No ETP Holder or Associated Person shall fail to provide information or testimony or to permit an inspection and copying of books, records, or accounts pursuant to this Rule.

**(d) Notice**

A notice under this Rule shall be deemed received by the ETP Holder or Associated Person (including a currently or formerly Registered Person) to whom it is directed by mailing or otherwise transmitting the notice to the last known business address of the ETP Holder or the last known residential address of the Associated Person as reflected in the Central Registration Depository. With respect to a person who is currently associated with an ETP Holder in an unregistered capacity, a notice under this Rule shall be deemed received by the person by mailing or otherwise transmitting the notice to the last known business address of the ETP Holder as reflected in the Central Registration Depository. With respect to a person subject to the Exchange's jurisdiction who was formerly associated with an ETP Holder in an unregistered capacity, a notice under this Rule shall be deemed received by the person upon personal service, as set forth in Rule 10.9134(a)(1).

If the Adjudicator or Exchange staff responsible for mailing or otherwise transmitting the notice to the ETP Holder or Associated Person has actual knowledge that the address in the Central Registration Depository is out of date or inaccurate, then a copy of the notice shall be mailed or otherwise transmitted to:

(1) the last known business address of the ETP Holder, or the last known residential address of the Associated Person as reflected in the Central Registration Depository; and

(2) any other more current address of the ETP Holder or Associated Person known to the Adjudicator or Exchange staff who is responsible for mailing or otherwise transmitting the notice.

If the Adjudicator or Exchange staff responsible for mailing or otherwise transmitting the notice to the ETP Holder or Associated Person knows that the ETP Holder or Associated Person is represented by counsel regarding the investigation, complaint, examination, or proceeding that is the subject of the notice, then the notice shall be served upon counsel by mailing or otherwise transmitting the notice to the counsel in lieu of the ETP Holder or Associated Person, and any notice served upon counsel shall be deemed received by the ETP Holder or Associated Person.

**(e) Electronic Interface**

In carrying out its responsibilities under this Rule, the Exchange may, as appropriate, establish programs for the submission of information to the Exchange on a regular basis through a direct or indirect electronic interface between the Exchange and ETP Holders.

**(f) Inspection and Copying**

A witness, upon proper identification, may inspect the official transcript of the witness' own testimony. Upon written request, a person who has submitted documentary evidence or testimony in an Exchange investigation may procure a copy of the person's documentary evidence or the transcript of the person's testimony upon payment of the appropriate fees, except that prior to the issuance of a complaint arising from the investigation, Exchange staff may for good cause deny such request.

**(g) Encryption of Information Provided in Electronic Form**

(1) Any ETP Holder or Associated Person who, in response to a request pursuant to this Rule, provides the requested information on a portable media device must ensure that such information is encrypted.

(2) For purposes of this Rule, a "portable media device" is a storage device for electronic information, including but not limited to a flash drive, CD-ROM, DVD, portable hard drive, laptop computer, disc, diskette, or any other portable device for storing and transporting electronic information.

(3) For purposes of this Rule, "encrypted" means the transformation of data into a form to which meaning cannot be assigned without the use of a confidential process or key. To ensure that encrypted information is secure, an ETP Holder or Associated Person providing encrypted information to Exchange staff pursuant to this Rule shall (a) use an

encryption method that meets industry standards for strong encryption, and (b) provide the confidential process or key regarding the encryption to Exchange staff in a communication separate from the encrypted information itself.

***Commentary:***

**.01 Books and Records Relating to Investigations.** This rule requires ETP Holders and Associated Persons to provide Exchange staff and adjudicators with requested books, records and accounts. In specifying the books, records and accounts "of such ETP Holder or Associated Person," paragraph (a) of the rule refers to books, records and accounts that the broker-dealer or its Associated Persons makes or keeps relating to its operation as a broker-dealer or relating to the person's association with ETP Holder. This includes but is not limited to records relating to an Exchange investigation of outside business activities, private securities transactions or possible violations of just and equitable principles of trade, as well as other Exchange rules and the federal securities laws. It does not ordinarily include books and records that are in the possession, custody or control of an ETP Holder or Associated Person, but whose bona fide ownership is held by an independent third party and the records are unrelated to the business of the ETP Holder or Associated Person. The rule requires, however, that an ETP Holder or Associated Person must make available its books, records or accounts when these books, records or accounts are in the possession of another person or entity, such as a professional service provider, but the ETP Holder or Associated Person controls or has a right to demand them.

**Rule 10.8211. Automated Submission of Trading Data Requested by the Exchange**

**(a)** An ETP Holder shall submit the trade data specified below in automated format as may be prescribed by the Exchange from time to time. This information shall be supplied with respect to any transaction(s) that is the subject of a request for information made by the Exchange.

**(b)** If the transaction was a proprietary transaction effected or caused to be effected by the ETP Holder for any account in which such ETP Holder or Associated Person is directly or indirectly interested, such ETP Holder or Associated Person shall submit or cause to be submitted the following information:

- (1) Clearing house number, or alpha symbol as used by the ETP Holder submitting the data;
- (2) Clearing house number(s), or alpha symbol(s) as may be used from time to time, of the ETP Holder(s) on the opposite side of the transaction;
- (3) Identifying symbol assigned to the security;
- (4) Date transaction was executed;

(5) Number of shares, or quantity of bonds or options contracts for each specific transaction and whether each transaction was a purchase, sale, short sale, or, if an options contract, whether open long or short or close long or short;

(6) Transaction price;

(7) Account number; and

(8) Market center where transaction was executed.

(c) If the transaction was effected or caused to be effected by the ETP Holder for any customer account, such ETP Holder shall submit or cause to be submitted the following information:

(1) The data described in paragraphs (b)(1) through (8) above;

(2) The customer name, address(es), branch office number, registered representative number, whether order was solicited or unsolicited, date account opened, employer name, and the tax identification number(s); and

(3) If the transaction was effected for another ETP Holder, whether the other ETP Holder was acting as principal or agent.

(d) In addition to the above trade data, an ETP Holder shall submit such other information in such automated format as may from time to time be required by the Exchange.

(e) Pursuant to the Rule 10.9600 Series, the Exchange may exempt an ETP Holder from the requirement that the data prescribed in paragraphs (b) through (d) above be submitted to the Exchange in an automated format for good cause shown.

**Rule 10.8212. Reserved.**

**Rule 10.8213. Reserved.**

## **RULE 10.8300. SANCTIONS**

### **Rule 10.8310. Sanctions for Violation of the Rules**

#### **(a) Imposition of Sanction**

After compliance with the Rule 10.9000 Series, the Exchange may impose one or more of the following sanctions on an ETP Holder or Associated Person for each violation of the federal securities laws, rules or regulations thereunder or Exchange rules, or may impose



one or more of the following sanctions on an ETP Holder or Associated Person for any neglect or refusal to comply with an order, direction, or decision issued under Exchange rules:

- (1) censure an ETP Holder or Associated Person;
- (2) impose a fine upon an ETP Holder or Associated Person;
- (3) suspend the ETP of an ETP Holder, or suspend the registration of an Associated Person for a definite period or a period contingent on the performance of a particular act;
- (4) expel an ETP Holder, cancel the ETP of an ETP Holder, or revoke or cancel the registration of an Associated Person;
- (5) suspend or bar an ETP Holder or Associated Person from association with all ETP Holders;
- (6) impose a temporary or permanent cease and desist order against an ETP Holder or Associated Person; or
- (7) impose any other fitting sanction.

**(b) Assent to Sanction**

Each party to a proceeding resulting in a sanction shall be deemed to have assented to the imposition of the sanction unless such party files a written application for review or relief pursuant to the Rule 10.9000 Series.

**Rule 10.8311. Effect of a Suspension, Revocation, Cancellation, Bar or Other Disqualification**

(a) If a person is subject to a suspension, revocation, or cancellation of registration, bar from association with an ETP Holder (each a "sanction") or other disqualification, an ETP Holder shall not allow such person to be associated with it in any capacity that is inconsistent with the sanction imposed or disqualified status, including in a clerical or ministerial capacity. An ETP Holder also shall not pay or credit to any person subject to a sanction or disqualification, during the period of the sanction or disqualification or any period thereafter, any salary, commission, profit, or any other remuneration that the person might accrue during the period of the sanction or disqualification. However, an ETP Holder may make payments or credits to a person subject to a sanction that are consistent with the scope of activities permitted under the sanction where the sanction solely limits an Associated Person from conducting specified activities (such as a suspension from acting in a principal capacity) or a disqualified person has been approved (or is otherwise permitted pursuant to Exchange rules and the federal securities laws) to associate with an ETP Holder.

(b) Notwithstanding paragraph (a) of this Rule, an ETP Holder may pay to a person that is subject to a sanction or disqualification described in paragraph (a) of this Rule, any remuneration pursuant to an insurance or medical plan, indemnity agreement relating to legal fees, or as required by an arbitration award or court judgment.

*Commentary:*

**.01 Remuneration Accrued Prior to Effective Date of Sanction or Disqualification.** Notwithstanding this Rule, an ETP Holder may pay or credit to a person that is the subject of a sanction or disqualification, salary, commission, profit or any other remuneration that the ETP Holder can evidence accrued to the person prior to the effective date of such sanction or disqualification; provided, however, the ETP Holder may not pay any salary, commission, profit or any other remuneration that accrued to the person that relates to or results from the activity giving rise to the sanction or disqualification, and any such payment or credit must comply with applicable federal securities laws.

**Rule 10.8312. Reserved.**

**Rule 10.8313. Release of Disciplinary Complaints, Decisions and Other Information**

**(a) General Standards**

(1) The Exchange shall release to the public a copy of, and at the Exchange's discretion information with respect to, any disciplinary complaint or disciplinary decision issued by the Exchange, as defined in paragraph (e) of this Rule under the Rule 10.9000 Series, other than minor rule violations, on its website. The Exchange shall, in response to a request, release to the requesting party a copy of any identified disciplinary complaint or disciplinary decision issued by the Exchange, as defined in paragraph (e) of this Rule.

(2) The Exchange shall release to the public a copy of, and at the Exchange's discretion information with respect to, any statutory disqualification decision, notification, or notice issued by the Exchange pursuant to the Rule 10.9520 Series that will be filed with the SEC and any temporary cease and desist order or decision issued by the Exchange pursuant to the Rule 10.9800 Series.

(3) The Exchange shall release to the public information with respect to any suspension, cancellation, expulsion, or bar that constitutes final Exchange action imposed pursuant to Rules 10.9552, 10.9554, 10.9555, 10.9556, 10.9558, 10.9560, and information with respect to any suspension imposed pursuant to Rule 10.9557. The Exchange shall release to the public a copy of, and information with respect to, any decision issued pursuant to Rule 10.9559 that constitutes final Exchange action. The Exchange shall release to the public information with respect to the summary suspension or expulsion of an ETP Holder or the summary revocation of the registration of an Associated Person for a failure to pay fines, other monetary sanctions, or costs pursuant to Rule 10.8320.

(4) The Exchange may release to the public a copy of, and information with respect to, any decision or notice issued pursuant to the Rule 10.9600 Series, and any other decision appealable to the SEC under Exchange Act Section 19(d).

**(b) Release Specifications**

(1) Copies of, and information with respect to, any disciplinary complaint released to the public pursuant to paragraph (a) of this Rule shall indicate that a disciplinary complaint represents the initiation of a formal proceeding by the Exchange in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint.

(2) Copies of, and information with respect to, any disciplinary decision or other decision, order, notification, or notice released to the public pursuant to paragraph (a) of this Rule prior to the expiration of the time period provided for an appeal or call for review as permitted under Exchange rules or the Exchange Act, or while such an appeal or call for review is pending, shall indicate that the findings and sanctions imposed therein are subject to review and modification by the Exchange or the SEC.

**(c) Discretion to Redact Certain Information or Waive Publication**

(1) Notwithstanding paragraph (a) of this Rule, the Exchange reserves the right to redact, on a case-by-case basis, confidential customer information, including customer identities, or information that raises significant identity theft, personal safety, or privacy concerns that are not outweighed by investor protection concerns.

(2) Notwithstanding paragraph (a) of this Rule, the Exchange may determine, in its discretion, to waive the requirement to release a copy of, or information with respect to, any disciplinary complaint, disciplinary decision or other decision, order, notification, or notice under those extraordinary circumstances where the release of such information would violate fundamental notions of fairness or work an injustice.

**(d) Notice of Appeals of Exchange Decisions to the SEC**

The Exchange shall provide notice to the public if a disciplinary decision of the Exchange is appealed to the SEC and the notice shall state whether the effectiveness of the decision has been stayed pending the outcome of proceedings before the SEC.

**(e) Definitions**

(1) For the purpose of this Rule, the term "disciplinary complaint" shall mean any complaint issued pursuant to the Rule 10.9200 Series or any notice served pursuant to Rule 10.9560.

(2) For the purpose of this Rule, the term "disciplinary decision" shall mean any decision issued pursuant to the Rule 10.9000 Series, including, decisions issued by a Hearing

Officer, Hearing Panel, Extended Hearing Panel, or the Board of Directors, orders accepting offers of settlement, and Letters of Acceptance, Waiver and Consent and suspension orders pursuant to Rule 10.9560; provided, however, such term does not include decisions issued pursuant to the Rule 10.9550 Series, Rule 10.9600 Series, or Rule 10.9800 Series, or decisions, notifications, or notices issued pursuant to the Rule 10.9520 Series, which are addressed by paragraphs (a)(2), (a)(3) and (a)(4) of this Rule. Minor rule violation plan letters issued pursuant to Rules 10.9216 and 10.9217 are not subject to this Rule.

**Rule 10.8320. Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay**

**(a) Payment to Treasurer**

All fines and other monetary sanctions shall be paid to the Treasurer of the Exchange.

**(b) Summary Suspension or Expulsion**

After seven days notice in writing, the Exchange may summarily suspend or expel an ETP Holder that fails to:

(1) pay promptly a fine or other monetary sanction imposed pursuant to Rule 10.8310 or a cost imposed pursuant to Rule 10.8330 when such fine, monetary sanction, or cost becomes finally due and payable; or

(2) terminate immediately the association of an Associated Person who fails to pay promptly a fine or other monetary sanction imposed pursuant to Rule 10.8310 or a cost imposed pursuant to Rule 10.8330 when such fine, monetary sanction, or cost becomes finally due and payable.

**(c) Summary Revocation of Registration**

After seven days notice in writing, the Exchange may summarily revoke the registration of an Associated Person if such person fails to pay promptly a fine or other monetary sanction imposed pursuant to Rule 10.8310 or a cost imposed pursuant to Rule 10.8330 when such fine, monetary sanction, or cost becomes finally due and payable.

**Rule 10.8330. Costs of Proceedings**

An ETP Holder or Associated Person disciplined pursuant to Rule 10.8310 shall bear such costs of the proceeding as the Adjudicator deems fair and appropriate under the circumstances.

**RULE 10.9000. CODE OF PROCEDURE**

## **RULE 10.9100. APPLICATION AND PURPOSE**

### **Rule 10.9110. Application**

#### **(a) Proceedings**

The Rule 10.9000 Series is the Code of Procedure and includes proceedings for disciplining an ETP Holder or Associated Person; proceedings for regulating the activities of an ETP Holder experiencing financial or operational difficulties; proceedings for summary or non-summary suspensions, cancellations, bars, prohibitions, or limitations; and proceedings for obtaining relief from the eligibility requirements of the Exchange's rules. The Rule 10.9100 Series is of general applicability to all proceedings set forth in the Rule 10.9000 Series, unless a Rule specifically provides otherwise. In performing the functions under the Code, the CRO and Regulatory Staff shall function independently of the commercial interests of the Exchange and the commercial interests of the ETP Holders.

#### **(b) Rights, Duties, and Obligations of ETP Holder and Associated Persons**

Unless otherwise specified, an Associated Person shall have the same rights as an ETP Holder and shall be subject to the same duties and obligations under the Code of Procedure.

#### **(c) Incorporation of Defined Terms and Cross References**

Unless otherwise provided and where applicable, terms used in the Rule 10.9000 Series shall have the same meaning as in Rule 10.9120 and applicable rules of the Exchange.

### **Rule 10.9120. Definitions**

#### **(a) "Adjudicator"**

The term "Adjudicator" means:

- (1) a body, board, committee, group, or natural person that presides over a proceeding and renders a decision;
- (2) a body, board, committee, group, or natural person that presides over a proceeding and renders a recommended or proposed decision which is acted upon by an Adjudicator described in paragraph (a)(1);  
or
- (3) a natural person who serves on a body, board, committee, or group described in paragraphs (a)(1) or (2).

#### **(b) Reserved**

**(c) "Chief Hearing Officer"**

The term "Chief Hearing Officer" means the Hearing Officer that manages the Office of Hearing Officers, or his or her delegatee.

**(d) "Chief Regulatory Officer" or "CRO"**

The term "Chief Regulatory Officer" or "CRO" means the Chief Regulatory Officer of the Exchange, or his or her delegatee.

**(e) "Code"**

The term "Code" refers to the Code of Procedure.

**(f) "Counsel to the Exchange Board of Directors"**

The term "Counsel to the Exchange Board of Directors" means an attorney from the Exchange Office of General Counsel who is responsible for advising the Exchange Board of Directors regarding a disciplinary proceeding on review before the Exchange Board of Directors.

**(g) Reserved**

**(h) "Department of Enforcement"**

The term "Department of Enforcement" means the Department of Enforcement of FINRA.

**(i) "Department of Market Regulation"**

The term "Department of Market Regulation" means the Department of Market Regulation of FINRA.

**(j) "Department of Member Regulation"**

The term "Department of Member Regulation" means the Department of Member Regulation of FINRA.

**(k) "Director"**

The term "Director" means a member of the Board of Directors of the Exchange.

**(l) "Document"**

The term "Document" means a writing, drawing, graph, chart, photograph, recording, or any other data compilation, including data stored by computer, from which information can be obtained.

**(m) "Enforcement"**

The term "Enforcement" refers to (A) any department reporting to the CRO of the Exchange with responsibility for investigating or, when appropriate after compliance with the Rule 10.9000 Series, imposing sanctions on an ETP Holder or Associated Person; (B) the Department of Enforcement of FINRA; and (C) the Department of Market Regulation of FINRA.

**(n) Reserved**

**(o) "Extended Hearing"**

The term "Extended Hearing" means a disciplinary proceeding described in Rule 10.9231(c).

**(p) "Extended Hearing Panel"**

The term "Extended Hearing Panel" means an Adjudicator that is constituted under Rule 10.9231(c) to conduct a disciplinary proceeding that is classified as an "Extended Hearing" and is governed by the Rule 10.9200 Series.

**(q) Reserved**

**(r) "Hearing Officer"**

The term "Hearing Officer" means an employee of FINRA who is an attorney and who is appointed by the Chief Hearing Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in the Rule 10.9200 Series regarding disciplinary proceedings, the Rule 10.9550 Series regarding expedited proceedings, and the Rule 10.9800 Series regarding temporary cease and desist proceedings brought against ETP Holders and Associated Persons.

**(s) "Hearing Panel"**

The term "Hearing Panel" means an Adjudicator that is constituted under Rule 10.9231 to conduct a disciplinary proceeding governed by the Rule 10.9200 Series, that is constituted under the Rule 10.9520 Series or the Rule 10.9550 Series to conduct a proceeding, or that is constituted under the Rule 10.9800 Series to conduct a temporary cease and desist proceeding.

**(t) "Interested Staff"**

The term "Interested Staff" means, in the context of any proceeding under the Code of Procedure, Regulatory Staff or staff who:

(A) report, directly or indirectly, to any Enforcement employee, or to the head of any department or office that issues a notice, petition or decision or is designated as a Party under the Rule 10.9000 Series; or

(B)(i) directly participated in the authorization or initiation of a complaint or proceeding, (ii) directly participated in the proceeding, or (iii) directly participated in an examination, investigation, prosecution, or litigation related to a specific proceeding, and any person(s) who supervises such staff.

**(u) "Office of Hearing Officers"**

The term "Office of Hearing Officers" means the Office of Hearing Officers for FINRA.

**(v) "Panelist"**

The term "Panelist," as used in the Rule 10.9200 Series, the Rule 10.9550 Series, and the Rule 10.9800 Series, means a member of a Hearing Panel or Extended Hearing Panel who is not a Hearing Officer. Hearing Panel members will be drawn from the Exchange Business Conduct Committee ("BCC").

**(w) "Party"**

With respect to a particular proceeding, the term "Party" means:

(1) in the Rule 10.9200 Series and the Rule 10.9300 Series, and the Rule 10.9800 Series, Enforcement or a Respondent;

(2) in the Rule 10.9520 Series, the Department of Member Regulation or an ETP Holder or Associated Person that is the subject of a notice or files an application under Rule 10.9522;

(3) in the Rule 10.9550 Series, the Exchange department or office that issued the notice or, if another Exchange department or office is named as the party handling the matter on behalf of the issuing department or office, the Exchange department or office that is so designated or an ETP Holder or Associated Person that is the subject of a notice under the Rule 10.9550 Series; or

(4) in the Rule 10.9600 Series, the department or office designated under Rule 10.9620 to issue the decision granting or denying an exemption or an ETP Holder that seeks the exemption under Rule 10.9610.



**(x) "Regulatory Staff"**

The term "Regulatory Staff," and for purposes of the Rule 10.8000 Series and Rule 10.9000 Series (except for Rule 10.9557), the term "Exchange staff," refers to (A) any officer or employee reporting, directly or indirectly, to the CRO of the Exchange; and (B) FINRA staff acting on behalf of the Exchange in connection with the Rule 10.8000 Series and Rule 10.9000 Series.

**(y) "Respondent"**

The term "Respondent" means, in a disciplinary proceeding governed by the Rule 10.9200 Series and in a review governed by the Rule 10.9300 Series, an ETP Holder or an Associated Person against whom a complaint is issued. In a proceeding governed by the Rule 10.9800 Series, the term "Respondent" means an ETP Holder or Associated Person that has been served a notice initiating a cease and desist proceeding.

**Rule 10.9130. Service; Filing of Papers**

**Rule 10.9131. Service of Complaint**

**(a) Service on Each Party**

Except as provided below, a complaint shall be served on each Party by Enforcement. When counsel for a Party or other person authorized to represent others under Rule 10.9141 agrees to accept service of the complaint, then Enforcement may serve the complaint on counsel for a Party or other person authorized to represent others under Rule 10.9141 as specified in Rule 10.9134(a).

**(b) How Served**

A complaint or document initiating a proceeding shall be served pursuant to Rule 10.9134.

**(c) Filing Requirement**

A complaint that is served upon a Respondent and each document initiating a proceeding that is served upon a Party, along with the certificate of service executed in connection with the service upon such Respondent or Party, shall be filed with FINRA pursuant to Rule 10.9135.

**Rule 10.9132. Service of Orders, Notices, and Decisions by Adjudicator**

**(a) Service on Each Party**

An order, notice, or decision issued by a Hearing Officer, Hearing Panel or Extended Hearing Panel under the Rule 10.9200 Series shall be served on each Party, or each

Party's counsel, or other person the Party designates to represent him or her in a proceeding by the Office of Hearing Officers. An order, notice, or decision issued by any other Adjudicator shall be served by that Adjudicator.

**(b) How Served**

An order, notice, or decision shall be served pursuant to Rule 10.9134.

**(c) Service Upon Counsel or Other Person Acting In Representative Capacity**

Whenever service is required to be made upon a person represented by counsel or a representative who has filed a notice of appearance pursuant to Rule 10.9141, service shall be made upon counsel or the representative. The Adjudicator, at its discretion, may also order that service be made upon the person.

**Rule 10.9133. Service of Papers Other Than Complaints, Orders, Notices, or Decisions**

**(a) Service on Each Party**

Other than a complaint, order, notice, or decision, any paper, including an answer and a motion, shall be served on each Party by the Party on whose behalf such paper was prepared or by his or her counsel or representative.

**(b) How Served**

The paper shall be served pursuant to Rule 10.9134.

**(c) Filing Requirement**

The paper that is served upon a Party, along with the certificate of service executed in connection with the service upon such Party, shall be filed with FINRA pursuant to Rule 10.9135.

**(d) Service upon Counsel or Other Person Acting in Representative Capacity**

Whenever service is required to be made upon a person represented by counsel or a representative who has filed a notice of appearance pursuant to Rule 10.9141, service shall be made upon counsel or the representative. The Adjudicator, at its discretion, may also order that service be made upon the person.

**Rule 10.9134. Methods of, Procedures for Service**

**(a) Methods**

The following methods of service are permitted:

**(1) Personal Service**

Personal service may be accomplished by handing a copy of the papers to the person required to be served; leaving a copy at the person's office with an employee or other person in charge thereof; or leaving a copy at the person's dwelling or usual place of abode with a person of suitable age and discretion then residing therein;

**(2) Service by Mail by U.S. Postal Service**

Service by mail may be accomplished by mailing the papers through the U.S. Postal Service by using first class mail, first class certified mail, first class registered mail, or Express Mail, except that a complaint shall be served upon a Respondent by U.S. Postal Service first class certified mail or Express Mail; or

**(3) Service by Courier**

Service by courier may be accomplished by sending the papers through a courier service that generates a written confirmation of receipt or of attempts at delivery.

**(b) Procedures**

**(1) Service on Natural Persons**

Papers served on a natural person may be served at the natural person's residential address, as reflected in the Central Registration Depository, if applicable. When a Party or other person responsible for serving such person has actual knowledge that the natural person's Central Registration Depository address is out of date, duplicate copies shall be served on the natural person at the natural person's last known residential address and the business address in the Central Registration Depository of the entity with which the natural person is employed or affiliated. Papers may also be served at the business address of the entity with which the natural person is employed or affiliated, as reflected in the Central Registration Depository, or at a business address, such as a branch office, at which the natural person is employed, or at which the natural person is physically present during a normal business day. The Hearing Officer may waive the requirement of serving documents (other than complaints) at the addresses listed in the Central Registration Depository if there is evidence that these addresses are no longer valid, and there is a more current address available. If a natural person is represented by counsel or a representative, papers served on the natural person,

excluding a complaint or a document initiating a proceeding, shall be served on the counsel or representative.

**(2) Service on Entities**

Papers served on an entity shall be made by service on an officer, partner of a partnership, managing or general agent, a contact employee as set forth on Form BD, or any other agent authorized by appointment or by law to accept service. Such papers shall be served at the entity's business address as reflected in the Central Registration Depository, if applicable; provided, however, that when the Party or other person responsible for serving such entity has actual knowledge that an entity's Central Registration Depository address is out of date, duplicate copies shall be served at the entity's last known address. If an entity is represented by counsel or a representative, papers served on such entity, excluding a complaint or document initiating a proceeding, shall be served on such counsel or representative.

**(3) When Service Is Complete**

Personal service and service by courier or express delivery are complete upon delivery. Service by mail is complete upon mailing.

**Rule 10.9135. Filing of Papers with Adjudicator: Procedure**

**(a) When to File**

Papers that are required to be filed with an Adjudicator within a time limit specified by the Adjudicator or within a time limit set forth in the Rules shall be deemed timely if received within the time limit, unless otherwise ordered by an Adjudicator, except complaints, which shall be deemed timely filed upon mailing, delivery by electronic mail, or delivery to the Office of Hearing Officers. Other papers that are required to be filed shall be deemed timely if, on the same day such papers are served, they are also hand-delivered, mailed via U.S. Postal service first class mail, delivered by electronic mail, or sent by courier to FINRA.

**(b) Where to File**

All papers required to be filed pursuant to the Rule 10.9200 Series shall be filed with the Office of Hearing Officers. All other papers required to be filed pursuant to the Rule 10.9000 Series shall be filed where specified in the Rule, or if not specified in the Rule, with the Adjudicator, unless the Adjudicator orders otherwise.

**(c) Certificate of Service**

Papers filed with an Adjudicator or the Office of Hearing Officers shall be accompanied by a certificate of service stating the name of the person or persons served, the date on which service is made, the method of service and, if service is not made in person, the address to which service is made. Such certificate shall be executed by the person who made the service. If the method of service on a Party is different from the method of service on any other Party, the certificate shall state why such different method was used.

**Rule 10.9136. Filing of Papers: Form**

**(a) Specifications**

Papers filed in connection with any proceeding under the Rule 10.9200 Series and the Rule 10.9300 Series shall:

- (1) be on unglazed white paper measuring 8 1/2 x 11 inches, but to the extent that the reduction of a larger document would render it illegible, such document may be filed on larger paper;
- (2) be typewritten or printed in either 10 or 12 point typeface or otherwise reproduced by a process that produces a permanent and plainly legible copy;
- (3) include at the head of the paper, or on a title page, the title of the proceeding, the names of the Parties, the subject of the particular paper or pleading, and the number assigned to the proceeding;
- (4) be paginated at the bottom of the page and with all margins at least one inch wide;
- (5) be double-spaced, with single-spaced footnotes and single-spaced indented quotations; and
- (6) be stapled, clipped, or otherwise fastened in the upper left corner, but not bound.

**(b) Signature Required**

All papers shall be signed and dated pursuant to Rule 10.9137.

**(c) Number of Copies**

A signed original and one copy of all papers shall be filed with the Adjudicator unless otherwise ordered.

**(d) Form of Briefs**

A brief containing more than ten pages shall include a table of contents, and an alphabetized table of cases, statutes, and other authorities cited, with references to the pages of the brief wherein they are cited.

**(e) Scandalous or Impertinent Matter**

Any scandalous or impertinent matter contained in any brief, pleading, or other filing, or in connection with any oral presentation in a proceeding may be stricken on order of an Adjudicator. Any matter stricken by an Adjudicator by this Rule shall be marked "Stricken" and preserved. Matters stricken in a proceeding governed by the Rule 10.9200 Series shall be preserved under Rule 10.9267(b).

**Rule 10.9137. Filing of Papers: Signature Requirement and Effect**

**(a) General Requirements**

Following the issuance of a complaint in a disciplinary proceeding, or the initiation of another proceeding, every filing of a Party represented by counsel or a representative shall be signed by at least one counsel or representative of record in his or her name and shall state the business address and telephone number of such counsel or representative. A Party who appears on his or her own behalf shall sign his or her individual name and state his or her address and telephone number on every filing.

**(b) Effect of Signature**

(1) The signature of a counsel, representative, or Party shall constitute a certification that:

(A) the person signing the filing has read the filing;

(B) to the best of his or her knowledge, information, and belief, formed after reasonable inquiry, the filing is well grounded in fact and is warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law; and

(C) the filing is not made for any improper purpose, such as to harass, cause unnecessary delay, or needlessly to increase the cost of adjudication.

(2) If a filing is not signed, an Adjudicator may strike the filing, unless it is signed promptly after the omission is called to the attention of the person making the filing.

**Rule 10.9138. Computation of Time**

**(a) Calendar Day**

In the Rule 10.9000 Series, "day" means calendar day.

**(b) Formula**

In computing any period of time, the day of the act, event, or default from which the period of time designated in the Code begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, Sunday, or Federal holiday, in which event the period runs until the end of the next day that is not a Saturday, Sunday, or Federal holiday. Intermediate Saturdays, Sundays, and Federal holidays shall be excluded from the computation when the period prescribed is ten days or less, not including any additional time for service by mail allowed by paragraph (c).

**(c) Additional Time For Service by Mail**

If service is made by U.S. Postal Service first class, certified, or registered mail, three days shall be added to the prescribed period for response.

**Rule 10.9140. Proceedings**

**Rule 10.9141. Appearance and Practice; Notice of Appearance**

**(a) Representing Oneself**

In any proceeding, a person may appear on his or her own behalf. When a person first makes any filing or otherwise appears on his or her own behalf before an Adjudicator in a proceeding, he or she shall file with the Adjudicator, or otherwise state on the record, and keep current, an address at which any notice or other written communication required to be served upon or furnished to him or her may be sent and a telephone number where he or she may be reached during business hours.

**(b) Representing Others**

A person shall not be represented before an Adjudicator, except as provided in this paragraph. Subject to the prohibitions of Rules 10.9150 and 10.9280, a person may be represented in any proceeding by an attorney at law admitted to practice before the highest court of any state of the United States, the District of Columbia, or any commonwealth, territory, or possession of the United States. A member of a partnership may represent the partnership; and a bona fide officer of a corporation, trust, or association may represent the corporation, trust, or association. When a person first makes any filing or otherwise appears in a representative capacity before an Adjudicator in a proceeding, that person shall file with the Adjudicator, and keep current a notice of appearance. The notice of appearance is a written notice stating the name of the proceeding; the representative's name, business address, and telephone number; and the name and address of the person or persons represented. Any individual appearing or practicing in a representative capacity before an Adjudicator may be required to file a

power of attorney with the Adjudicator showing his or her authority to act in such capacity.

**(c) One Year Revolving Door Restriction**

No former Regulatory Staff shall, within a period of one year immediately following termination of employment with the Exchange or FINRA, make an appearance before an Adjudicator on behalf of any other person in a proceeding under the Rule 10.9000 Series.

**Rule 10.9142. Withdrawal by Attorney or Representative**

An attorney for a Party or other person authorized to represent others by Rule 10.9141 seeking to withdraw his or her appearance shall file a motion to withdraw. The motion shall set forth the good cause for withdrawal and state the name, current address, and telephone number of the Party no longer being represented.

**Rule 10.9143. Ex Parte Communications**

**(a) Prohibited Communications**

Unless on notice and opportunity for all Parties to participate, or to the extent required for the disposition of ex parte matters as authorized by the Rule 10.9000 Series:

(1) No Party, or counsel to or representative of a Party, or Interested Staff shall make or knowingly cause to be made an ex parte communication relevant to the merits of a proceeding to an Adjudicator who is participating in a decision with respect to that proceeding, or to an Exchange employee who is participating or advising in the decision of an Adjudicator with respect to that proceeding; and

(2) No Adjudicator who is participating in a decision with respect to a proceeding, or no Exchange employee who is participating or advising in the decision of an Adjudicator with respect to a proceeding shall make or knowingly cause to be made to a Party, a counsel or representative to a Party, or Interested Staff an ex parte communication relevant to the merits of that proceeding.

**(b) Disclosure of Prohibited Communication**

An Adjudicator who is participating in a decision with respect to a proceeding, or an Exchange employee who is participating or advising in the decision of an Adjudicator, who receives, makes, or knowingly causes to be made a communication prohibited by this Rule shall place in the record of the proceeding:

(1) all such written communications;



(2) memoranda stating the substance of all such oral communications; and

(3) all written responses and memoranda stating the substance of all oral responses to all such communications.

**(c) Remedies**

Upon receipt of a communication made or knowingly caused to be made by any Party, any counsel or any representative to a Party, or any Interested Staff in violation of paragraph (a)(1), the Exchange or an Adjudicator may, to the extent consistent with the interests of justice, the policies underlying the Act, and Exchange rules, order the Party responsible for the communication, or the Party who may benefit from the ex parte communication made, to show cause why the Party's claim or interest in the proceeding should not be dismissed, denied, disregarded, or otherwise adversely affected by reason of such ex parte communication. All participants to a proceeding may respond to any allegations or contentions contained in a prohibited ex parte communication placed in the record. Such responses shall be placed in the record.

**(d) Timing**

In a disciplinary proceeding governed by the Rule 10.9200 Series and the Rule 10.9300 Series, the prohibitions of this Rule shall apply beginning with the authorization of a complaint as provided in Rule 10.9211, unless the person responsible for the communication has knowledge that the complaint shall be authorized, in which case the prohibitions shall apply beginning at the time of his or her acquisition of such knowledge.

**(e) Waiver of Ex Parte Prohibition**

**(1) Offer of Settlement**

If a Respondent submits an offer of settlement under Rule 10.9270, the submission constitutes a waiver by such Respondent of any claim that the prohibitions against ex parte communications were violated by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of acceptance, including acceptance or rejection of such offer of settlement and order of acceptance.

**(2) Letter of Acceptance, Waiver, and Consent**

If an ETP Holder or Associated Person submits an executed letter of acceptance, waiver, and consent under Rule 10.9216(a), the submission constitutes a waiver by such ETP Holder or Associated

Person of any claim that the prohibitions against ex parte communications were violated by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent.

### **(3) Minor Rule Violation Plan Letter**

If an ETP Holder or Associated Person submits an executed minor rule violation plan letter under Rule 10.9216(b), the submission constitutes a waiver by such ETP Holder or Associated Person of any claim that the prohibitions against ex parte communications by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter, or other consideration of the minor rule violation plan letter, including acceptance or rejection of such minor rule plan violation letter, has been violated.

## **Rule 10.9144. Separation of Functions**

### **(a) Interested Staff**

Except as counsel or a witness in a proceeding or as provided in the Rule 10.9550 Series, Interested Staff is prohibited from advising an Adjudicator regarding a decision or otherwise participating in a decision of an Adjudicator. An Adjudicator is prohibited from advising Interested Staff regarding a decision or otherwise participating in a decision of Interested Staff, including the decision to issue a complaint and a decision whether to request a review of a disciplinary proceeding by the Exchange Board of Directors.

### **(b) Separation of Adjudicators**

A Hearing Officer, including the Chief Hearing Officer, or a Panelist of a Hearing Panel or an Extended Hearing Panel, is prohibited from participating in: a decision whether to issue a complaint pursuant to Rule 10.9211 and a decision whether to file a request for a review by the Exchange Board of Directors pursuant to Rule 10.9310. A Director is prohibited from participating in a discussion or a decision relating to the above referenced acts with the Adjudicators referenced above.

### **(c) Waiver of Prohibitions of Separation of Functions**

#### **(1) Offer of Settlement**

If a Respondent submits an offer of settlement under Rule 10.9270, the submission constitutes a waiver by such Respondent of any claim of violation of paragraph (a) or (b) by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of acceptance, including acceptance or rejection of such offer of settlement and order of acceptance.

## **(2) Letter of Acceptance, Waiver, and Consent**

If an ETP Holder or Associated Person submits an executed letter of acceptance, waiver, and consent under Rule 10.9216(a), the submission constitutes a waiver by such ETP Holder or Associated Person of any claim of violation of paragraph (a) or (b) by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the proposed letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent.

## **(3) Minor Rule Violation Plan Letter**

If an ETP Holder or Associated Person submits an executed minor rule violation plan letter under Rule 10.9216(b), the submission constitutes a waiver by such ETP Holder or Associated Person of any claim of violation of paragraph (a) or (b) by a person or body in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter or other consideration of the minor rule violation plan letter, including acceptance or rejection of such minor rule violation plan letter.

## **Rule 10.9145. Rules of Evidence; Official Notice**

### **(a) Rules of Evidence**

The formal rules of evidence shall not apply in a proceeding brought under the Rule 10.9000 Series.

### **(b) Official Notice**

In a proceeding governed by the Rule 10.9000 Series, an Adjudicator may take official notice of such matters as might be judicially noticed by a court, or of other matters within the specialized knowledge of the Exchange as an expert body. Before an Adjudicator

proposes to take official notice of a matter, it shall permit a Party the opportunity to oppose or otherwise comment upon the proposal to take official notice.

## **Rule 10.9146. Motions**

### **(a) General Requirement for Motions**

A Party may make a written or oral motion, subject to limitations set forth below. A Party or other person may make a motion under Rule 10.9146(k), subject to limitations set forth below.

### **(b) Adjudicator May Require a Written Motion**

If a Party makes an oral motion, an Adjudicator may order that such motion be set forth in writing, after considering the facts and circumstances, including whether:

(1) the hearing or conference in which the Party makes such motion is being recorded; and

(2) the opposing Parties are fully informed and have been provided adequate notice and an opportunity to respond to such motion.

### **(c) Specificity**

All motions shall state the specific relief requested and the basis therefor.

### **(d) Time For Filing Opposition or Other Response to Motion**

Unless otherwise ordered by an Adjudicator, any Party may file an opposition or other response to a written motion and the opposition or response shall be filed within 14 days after service of the motion. If no response is filed within the response period, the Party failing to respond shall be deemed to have waived any objection to the granting of the motion. A Party shall be afforded an opportunity to respond to an oral motion at the time the oral motion is made, unless the Adjudicator orders that the Party shall be granted additional time to respond.

### **(e) Oral Argument**

An Adjudicator may allow oral argument on motions. Oral argument may take place in person or by telephone.

### **(f) Frivolous Motions**

An Adjudicator may deny dilatory, repetitive, or frivolous motions without awaiting a response.

**(g) No Stay**

Unless otherwise ordered by an Adjudicator, the filing of a motion does not stay a proceeding.

**(h) Reply**

The moving Party shall have no right to reply to the opposition or other response of the other Parties unless an Adjudicator permits a reply to be filed. Unless otherwise ordered by an Adjudicator, a movant's reply submission shall be filed within five days after the Adjudicator serves the order granting the motion to file a reply or a Party serves the opposition or other response to which the Adjudicator previously ordered that a reply could be filed.

**(i) Page Limit, Format Requirements**

Unless otherwise ordered by an Adjudicator, submissions in support of or in opposition to motions shall not exceed ten double-spaced pages, including double-spaced footnotes, exclusive of pages containing any table of contents, table of authorities, or addenda.

**(j) Disposition of Procedural Motions; Disposition of Motions for Summary Disposition**

(1) In the Rule 10.9200 Series, a motion on a procedural matter may be decided by a Hearing Officer. A motion for summary disposition of a cause of action set forth in a complaint shall be decided by a majority vote of the Hearing Panel or, if applicable, the Extended Hearing Panel.

(2) In the Rule 10.9300 Series, a motion on a procedural matter may be decided by the Exchange Board of Directors.

(3) In the Rule 10.9500 Series, a motion shall be decided by an Adjudicator.

**(k) Motion For Protective Order**

(1) A Party, a person who is the owner, subject, or creator of a Document subject to production under Rule 10.8210 or any other Rule which may be introduced as evidence in a disciplinary proceeding, or a witness who testifies at a hearing in a disciplinary proceeding may file a motion requesting a protective order to limit disclosure or prohibit from disclosure to other Parties, witnesses or other persons, except Regulatory Staff, Documents or testimony that contain confidential information. The motion shall include a general summary or extract of the Documents or testimony without revealing

confidential details. If the movant seeks a protective order against disclosure to other Parties, copies of the Documents shall not be served on the other Parties. Unless the Documents are unavailable, the movant shall file for in camera inspection a sealed copy of the Documents for which the order is sought. If the movant is not a Party, the motion shall be served on each Party by the movant using a method in Rule 10.9134(a) and filed with the Adjudicator. A motion for a protective order shall be granted only upon a finding that disclosure of the Document or testimony would have a demonstrated adverse business effect on the movant or would involve an unreasonable breach of the movant's personal privacy.

(2) If a protective order is granted, the order shall set forth the restrictions on use and disclosure of such Document or testimony. An Adjudicator does not have the authority to issue a protective order that would limit in any manner the use by Regulatory Staff of such Documents or testimony in the staff's performance of its regulatory and self-regulatory responsibilities and functions, including the transmittal, without restriction to the recipient, of such Documents or testimony to state, federal, or foreign regulatory authorities or other self-regulatory organizations. An Adjudicator does not have the authority to issue a protective order that purports to protect from production such Documents or testimony in the event that the Exchange is subject to a subpoena requiring that the Documents or testimony be produced.

### **(1) General**

All motions, oppositions or responses, replies, and any other filings made in a proceeding shall comply with Rules 10.9133, 10.9134, 10.9135, 10.9136 and 10.9137.

### **Rule 10.9147. Rulings On Procedural Matters**

The Exchange Board of Directors, a Hearing Officer, or any other Adjudicator shall have full authority, except as otherwise provided by the Code, to rule on a procedural motion and any other procedural or administrative matter arising during the course of a proceeding conducted pursuant to the Code, subject to the rights of review provided by the Code.

### **Rule 10.9148. Interlocutory Review**

Except as provided in Rule 10.9280, there shall be no interlocutory review of a ruling or order issued by any Adjudicator in a proceeding governed by the Code. If an Adjudicator grants interlocutory review of a ruling or order, such review shall not stay a proceeding, except under Rule 10.9280 or as otherwise ordered by the Adjudicator.

## **Rule 10.9150. Exclusion From Rule 10.9000 Series Proceeding**

### **(a) Exclusion**

An Adjudicator may exclude an attorney for a Party or other person authorized to represent others by Rule 10.9141 from acting as counsel, acting in any representative capacity, or otherwise appearing in a particular Rule 10.9000 Series proceeding for contemptuous conduct under Rule 10.9280 or unethical or improper conduct in that proceeding. If an attorney for a Party, or other person authorized to represent others by Rule 10.9141, is excluded from a disciplinary hearing or conference, or any portion thereof, such attorney or person may seek review by the Exchange Board of Directors of such exclusion under Rule 10.9280(c).

### **(b) Other Proceedings Not Precluded**

Prohibiting an attorney or other person authorized to represent others by Rule 10.9141 from practicing or appearing in an Exchange proceeding shall not preclude the Exchange from initiating other proceedings against such person.

## **Rule 10.9160. Recusal or Disqualification**

No person shall participate as an Adjudicator in a matter governed by the Code as to which he or she has a conflict of interest or bias, or circumstances otherwise exist where his or her fairness might reasonably be questioned. In any such case the person shall recuse himself or herself, or shall be disqualified as follows:

### **(a) Exchange Board of Directors**

The Chair of the Exchange Board of Directors shall have authority to order the disqualification of a Director, and a majority of members of the Board of Directors, excluding the Chair of the Exchange Board of Directors, shall have authority to order the disqualification of the Chair.

### **(b) Reserved.**

### **(c) Reserved.**

### **(d) Reserved.**

### **(e) Panelist of Hearing Panel or Extended Hearing Panel**

Disqualification of a Panelist of a Hearing Panel or Extended Hearing Panel appointed under the Rule 10.9200 Series shall be governed by Rule 10.9234.

### **(f) Hearing Officer**

Disqualification of a Hearing Officer of a Hearing Panel or an Extended Hearing Panel shall be governed by Rule 10.9233.

## **RULE 10.9200. DISCIPLINARY PROCEEDINGS**

### **Rule 10.9210. Complaint and Answer**

### **Rule 10.9211. Authorization of Complaint**

#### **(a) Complaint**

(1) If Enforcement has reason to believe that any ETP Holder or Associated Person is violating or has violated any rule, regulation, or statutory provision, including the federal securities laws and the regulations thereunder, which the Exchange has jurisdiction to enforce, Enforcement may request authorization from the CRO to issue a complaint.

(2) The Exchange Board of Directors shall have the authority to direct the CRO to authorize and Enforcement to issue a complaint when, on the basis of information and belief, the Exchange Board of Directors is of the opinion that any ETP Holder or Associated Person is violating or has violated any rule, regulation, or statutory provision, including the federal securities laws and the regulations thereunder, which the Exchange has jurisdiction to enforce.

#### **(b) Commencement of Disciplinary Proceeding**

A disciplinary proceeding shall begin when the complaint is served and filed.

### **Rule 10.9212. Complaint Issuance — Requirements, Service, Amendment, Withdrawal, and Docketing**

#### **(a) Form, Content, Notice, Docketing, and Service**

(1) Each complaint shall be in writing and signed by authorized Enforcement staff. The complaint shall specify in reasonable detail the conduct alleged to constitute the violative activity and the rule, regulation, or statutory provision the Respondent is alleged to be violating or to have violated. If the complaint consists of several causes of action, each cause shall be stated separately. Complaints shall be served by Enforcement on each Party pursuant to Rules 10.9131 and 10.9134, and filed at the time of service with the Office of Hearing Officers pursuant to Rules 10.9135, 10.9136, and 10.9137.



(2) At the time of issuance of a complaint, Enforcement may propose an appropriate location for the hearing.

**(b) Amendments to Complaint**

Enforcement may file and serve an amended complaint once as a matter of course at any time before the Respondent answers the complaint. Otherwise, upon motion by Enforcement, the Hearing Officer may permit Enforcement to amend the complaint, including amendments so as to make the complaint conform to the evidence presented, after considering whether Enforcement has shown good cause for the amendment and whether any Respondent will suffer any unfair prejudice if the amendment is allowed. Amendments to complaints will be freely granted when justice so requires.

**(c) Withdrawal of Complaint**

With prior leave of the Hearing Officer, Enforcement may withdraw a complaint. If Enforcement withdraws the complaint before the earlier of

(1) the Hearing Panel's or, if applicable, the Extended Hearing Panel's, issuance of a ruling on a motion for summary disposition, or

(2) the start of the hearing on the merits, the withdrawal of the complaint by Enforcement shall be without prejudice and Enforcement shall be permitted to refile a case based on allegations concerning the same facts and circumstances that are set forth in the withdrawn complaint.

If Enforcement requests to withdraw such complaint after the occurrence of either of the two events set forth in (1) and (2) in this paragraph, the Hearing Panel or, if applicable, the Extended Hearing Panel, after considering the facts and circumstances of the request, shall determine whether the withdrawal shall be granted with prejudice.

**(d) Disciplinary Proceeding Docket**

The Office of Hearing Officers shall promptly record each complaint filed with it in the Exchange's disciplinary proceeding docket, and record in the disciplinary proceeding docket each event, filing, and change in the status of a disciplinary proceeding.

**Rule 10.9213. Assignment of Hearing Officer and Appointment of Panelists to Hearing Panel or Extended Hearing Panel**

**(a) Assignment of Hearing Officer**

As soon as practicable after Enforcement has filed a complaint with the Office of Hearing Officers, the Chief Hearing Officer shall assign a Hearing Officer to preside over the

disciplinary proceeding and shall serve the Parties with notice of the Hearing Officer's assignment pursuant to Rule 10.9132.

**(b) Appointment of Panelists**

As soon as practicable after assigning a Hearing Officer to preside over a disciplinary proceeding, the Chief Hearing Officer shall appoint Panelists pursuant to Rules 10.9231 and 10.9232 to a Hearing Panel or, if the Chief Hearing Officer determines that an Extended Hearing Panel should be appointed, to an Extended Hearing Panel.

**Rule 10.9214. Consolidation or Severance of Disciplinary Proceedings**

**(a) Consolidation Initiated by Chief Hearing Officer**

The Chief Hearing Officer may order the consolidation of two or more disciplinary proceedings, upon his or her own motion, under circumstances where such consolidation would further the efficiency of the disciplinary process, and where the subject complaints involve common questions of law or fact, or one or more of the same Respondents. In determining whether to order the consolidation of such disciplinary proceedings, the Chief Hearing Officer shall consider:

- (1) whether the same or similar evidence reasonably would be expected to be offered at each of the hearings;
- (2) whether the proposed consolidation would conserve the time and resources of the Parties; and
- (3) whether any unfair prejudice would be suffered by one or more Parties as a result of the consolidation.

If the Chief Hearing Officer proposes to consolidate two or more disciplinary proceedings, the Chief Hearing Officer shall serve upon the Parties notice of the proposed consolidation of disciplinary proceedings, together with a copy of each relevant complaint and any answer that has been filed thereto, pursuant to Rule 10.9132. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to consolidation.

**(b) Consolidation Initiated by a Party**

A Party may file a motion to consolidate two or more disciplinary proceedings if such consolidation would further the efficiency of the disciplinary process, if the subject complaints involve common questions of law or fact or one or more of the same Respondents, or if one or more of the factors favoring consolidation set forth in paragraph (a) appears to be present. If a Party moves to consolidate two or more disciplinary proceedings, the Party shall file such motion, together with a copy of each relevant complaint and any answer thereto that has been filed, with the Office of Hearing

Officers, and, pursuant to Rule 10.9133, shall serve the same upon the Parties in each of the cases proposed to be consolidated. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or in opposition to consolidation, and shall serve the response upon the Parties in each of the cases proposed to be consolidated. The Chief Hearing Officer shall issue an order approving or denying the request for consolidation.

**(c) Impact on Hearing Panel or Extended Hearing Panel**

If the Chief Hearing Officer issues an order to consolidate two or more disciplinary proceedings for which Hearing Panels or, if applicable, Extended Hearing Panels, have been appointed, the Chief Hearing Officer's order shall specify which Hearing Panel or, if applicable, Extended Hearing Panel, shall preside over the consolidated disciplinary proceeding, or shall appoint a new Hearing Panel or, if applicable, Extended Hearing Panel, to preside, based on the criteria set forth in Rules 10.9231 and 10.9232.

**(d) Severance Initiated by Chief Hearing Officer**

The Chief Hearing Officer may order the severance of a disciplinary proceeding into two or more disciplinary proceedings, upon his or her own motion. In determining whether to order the severance of such disciplinary proceedings, the Chief Hearing Officer shall consider:

- (1) whether the same or similar evidence reasonably would be expected to be offered at each of the possible hearings;
- (2) whether the severance would conserve the time and resources of the Parties; and
- (3) whether any unfair prejudice would be suffered by one or more Parties if the severance is (not) ordered.

If the Chief Hearing Officer proposes to sever a disciplinary proceeding, the Chief Hearing Officer shall serve upon the Parties notice of the proposed severance of disciplinary proceedings pursuant to Rule 10.9132. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to severance.

**(e) Severance Initiated by a Party**

A Party may file a motion to sever a disciplinary proceeding if one or more of the factors favoring severance set forth in paragraph (d) appears to be present. If a Party moves to sever a disciplinary proceeding, the Party shall file such motion with the Office of Hearing Officers, and, pursuant to Rule 10.9133, shall serve the same upon each of the parties to the action proposed to be severed. The Parties shall have 14 days after service to file a response, stating any arguments in favor of or opposition to severance, and shall

serve the response upon the Parties in the case proposed to be severed. The Chief Hearing Officer shall issue an order approving or denying the request for severance.

**(f) Impact on Hearing Panel or Extended Hearing Panel of Severance**

If the Chief Hearing Officer issues an order to sever a disciplinary proceeding for which a Hearing Panel or, if applicable, Extended Hearing Panel, has been appointed, the Chief Hearing Officer's order shall specify whether the same Hearing Panel or, if applicable, Extended Hearing Panel, shall preside over the severed disciplinary proceedings, or shall appoint a new Hearing Panel(s) or, if applicable, Extended Hearing Panel(s), to preside over any or all of the severed proceedings, based on the criteria set forth in Rules 10.9231 and 10.9232.

**Rule 10.9215. Answer to Complaint**

**(a) Form, Service, Notice**

Pursuant to Rule 10.9133, each Respondent named in a complaint shall serve an answer to the complaint on all other Parties within 25 days after service of the complaint on such Respondent, and at the time of service shall file such answer with the Office of Hearing Officers pursuant to Rules 10.9135, 10.9136 and 10.9137. The Hearing Officer assigned to a disciplinary proceeding pursuant to Rule 10.9213 may extend such period for good cause. Upon the receipt of a Respondent's answer, the Office of Hearing Officers shall promptly send written notice of the receipt of such answer to all Parties.

**(b) Content, Affirmative Defenses**

Unless otherwise ordered by the Hearing Officer, an answer shall specifically admit, deny, or state that the Respondent does not have and is unable to obtain sufficient information to admit or deny, each allegation in the complaint. When a Respondent intends to deny only part of an allegation, the Respondent shall specify so much of it as is admitted and deny only the remainder. A statement of lack of information shall be deemed a denial. Any allegation not denied in whole or in part shall be deemed admitted. Any affirmative defense shall be asserted in the answer.

**(c) Motion for More Definite Statement**

A Respondent may file with an answer a motion for a more definite statement of specified matters of fact or law to be considered or determined. Such motion shall state why each such matter of fact or law should be required to be made more definite. If the motion is granted, the order granting such motion shall set the periods for filing such a statement and any answer thereto.

**(d) Amendments to Answer**

Upon motion by a Respondent, the Hearing Officer may, after considering good cause shown by the Respondent and any unfair prejudice which may result to any other Party, permit an answer to be amended.

**(e) Extension of Time to Answer Amended Complaint**

If a complaint is amended pursuant to Rule 10.9212(b), the time for filing an answer or amended answer shall be the greater of the original time period within which the Respondent is required to respond, or 14 days after service of the amended complaint. If any Respondent has already filed an answer, such Respondent shall have 14 days after service of the amended complaint, unless otherwise ordered by the Hearing Officer, within which to file an amended answer.

**(f) Failure to Answer, Default**

If a Respondent does not file an answer or make any other filing or request related to the complaint with the Office of Hearing Officers within the time required, Enforcement shall send a second notice to such Respondent requiring an answer within 14 days after service of the second notice. The second notice shall state that failure of the Respondent to reply within the period specified shall allow the Hearing Officer, in the exercise of his or her discretion, pursuant to Rule 10.9269 to:

- (1) treat as admitted by the Respondent the allegations in the complaint; and
- (2) issue a default decision against the Respondent. If the Respondent fails to file an answer with the Office of Hearing Officers within the time required, the Hearing Officer may issue a default decision against the Respondent pursuant to Rule 10.9269.

**Rule 10.9216. Acceptance, Waiver, and Consent; Procedure for Imposition of Fines for Minor Violation(s) of Rules**

**(a) Acceptance, Waiver, and Consent Procedures**

- (1) Notwithstanding Rule 10.9211, if Enforcement has reason to believe a violation has occurred and the ETP Holder or Associated Person does not dispute the violation, Enforcement may prepare and request that the ETP Holder or Associated Person execute a letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such ETP Holder 's or Associated Person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right to review by the Exchange Board of Directors, the SEC, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter shall describe the act or practice engaged in or omitted, the rule,

regulation, or statutory provision violated, and the sanction(s) to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed will be a date to be determined by Regulatory Staff.

(2)(A) If an ETP Holder or Associated Person submits an executed letter of acceptance, waiver, and consent, by the submission such ETP Holder or Associated Person also waives:

(i) any right to claim bias or prejudgment of the CRO, the Exchange Board of Directors, Counsel to the Exchange Board of Directors, or any Director, in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent; and

(ii) any right to claim that a person violated the ex parte prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the letter of acceptance, waiver, and consent, or other consideration of the letter of acceptance, waiver, and consent, including acceptance or rejection of such letter of acceptance, waiver, and consent.

(B) If a letter of acceptance, waiver, and consent is rejected, the ETP Holder or Associated Person shall be bound by the waivers made under paragraphs (a)(1) and (a)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the letter of acceptance, waiver, and consent was executed and submitted and ending upon the rejection of the letter of acceptance, waiver, and consent.

(3) If the ETP Holder or Associated Person executes the letter of acceptance, waiver, and consent, it shall be submitted to the CRO. The CRO may accept or reject such letter. If the letter is rejected by the CRO, the ETP Holder or Associated Person who executed the letter shall be notified in writing and the letter shall be deemed withdrawn.

(4) If the letter is accepted by the CRO, it shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and

shall constitute the complaint, answer, and decision in the matter, 25 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to Rule 10.9310(a)(1)(B). If the letter is rejected by the CRO, the Exchange may take any other appropriate disciplinary action with respect to the alleged violation or violations. If the letter is rejected, the ETP Holder or Associated Person shall not be prejudiced by the execution of the letter of acceptance, waiver, and consent under paragraph (a)(1) and the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

**(b) Procedure for Imposition of Fines for Minor Violation(s) of Rules**

(1) Notwithstanding Rule 10.9211, the Exchange may, subject to the requirements set forth in paragraphs (b)(2) through (b)(4), impose a fine in accordance with the fine amounts and fine levels set forth in Rule 10.9217 and/or a censure on any ETP Holder or Associated Person with respect to any rule listed in Rule 10.9217. If Enforcement has reason to believe a violation has occurred and if the ETP Holder or Associated Person does not dispute the violation, Enforcement may prepare and request that the ETP Holder or Associated Person execute a minor rule violation plan letter accepting a finding of violation, consenting to the imposition of sanctions, and agreeing to waive such ETP Holder's or Associated Person's right to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of review by the Exchange Board of Directors, the SEC, and the courts, or to otherwise challenge the validity of the letter, if the letter is accepted. The letter shall describe the act or practice engaged in or omitted, the rule, regulation, or statutory provision violated, and the sanction or sanctions to be imposed. Unless the letter states otherwise, the effective date of any sanction(s) imposed will be a date to be determined by Regulatory Staff.

(2)(A) If an ETP Holder or Associated Person submits an executed minor rule violation plan letter, by the submission such ETP Holder or Associated Person also waives:

(i) any right to claim bias or prejudgment of the CRO, the Exchange Board of Directors, Counsel to the Exchange Board of Directors, or any Director, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter or other consideration of the minor rule violation plan letter, including acceptance or rejection of such minor rule violation plan letter; and

(ii) any right to claim that a person violated the ex parte prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the minor rule violation plan letter or other consideration of the minor rule violation plan letter, including acceptance or rejection of such minor rule violation plan letter.

(B) If a minor rule violation plan letter is rejected, the ETP Holder or Associated Person shall be bound by the waivers made under paragraphs (b)(1) and (b)(2)(A) for conduct by persons or bodies occurring during the period beginning on the date the minor rule violation plan letter was executed and submitted and ending upon the rejection of the minor rule violation plan letter.

(3) If the ETP Holder or Associated Person executes the minor rule violation plan letter, it shall be submitted to the CRO. The CRO, on behalf of the SRO Board, may accept or reject such letter.

(4) If the letter is accepted by the CRO, it shall be deemed final. Any fine imposed pursuant to this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Exchange Act, and as may be required by any other regulatory authority. If the letter is rejected by the CRO, the Exchange may take any other appropriate disciplinary action with respect to the alleged violation or violations. If the letter is rejected, the ETP Holder or Associated Person shall not be prejudiced by the execution of the minor rule violation plan letter under paragraph (b)(1) and the letter may not be introduced into evidence in connection with the determination of the issues set forth in any complaint or in any other proceeding.

**Rule 10.9217. Violations Appropriate for Disposition Under Rule 10.9216(b)**

(a) Any ETP Holder or Associated Person may be subject to a fine under Rule 10.9216(b) with respect to any rules listed below. The fine amounts and fine levels set forth below shall apply to the fines imposed. Any fine imposed pursuant to this Rule and not contested shall not be publicly reported, except as may be required by Rule 19d-1 under the Exchange Act or as may be required by any other regulatory authority.

(b) If a person or organization that has been fined pursuant to this Rule pays the fine, such payment shall be deemed a waiver of any right to a disciplinary proceeding under the Rule 10.9000 Series and of any right to review of the matter by the BCC, CFR or the Board of Directors.



(c) Any person or organization that has been fined pursuant to this Rule may contest such fine by filing with Enforcement a written application containing: (1) an identification of the Exchange action over which the review is being requested; (2) the reason(s) why the applicant disagrees with such action; and (3) the relief sought. Such written application must be submitted not more than five (5) business days after receipt of written notification that a fine has been imposed pursuant to this Rule. If a determination is contested pursuant to this subsection, the matter shall become a formal disciplinary action, and any penalty imposed by a hearing panel shall be publicly reported to the Exchange membership after such decision has become “final” pursuant to Rule 10.8313. Any person or organization found in violation of a minor rule under this plan is not required to report such violation on SEC Form BD or Form U-4, provided that the sanction imposed consists of a fine not exceeding \$2,500 and the sanctioned person or organization has not sought an adjudication, including a hearing, or otherwise exhausted the administrative remedies available with respect to the matter. Any fine imposed in excess of \$2,500 will be subject to current rather than quarterly reporting to the Securities and Exchange Commission pursuant to Rule 19d-1 under the Exchange Act.

#### **List of Rule Violations and Fines Applicable Thereto**

(d) Trading Rule Violations.

- Short Sales . (Rule 7.16)
- Failure to maintain continuous, two-sided Q Orders in those securities in which the Market Maker is registered to trade. (Rule 7.23(a)(1)).
- Failure to comply with Authorized Trader requirements. (Rule 7.30).
- Acting as a Market Maker in a security without being registered as such as required by Rule 7.20(a).
- Committing any act prohibited by Rule 11.12.11 (Prearranged Trades).

(e) Record Keeping and Other Minor Rule Violations.

- Failure to comply with the employee registration or other requirements of Rule 2.2.
- Failure to comply with the books and records requirements of Rule 11.4.1.
- Failure to comply with the requirements for preventing the misuse of material nonpublic information as set forth in Rule 11.5.5 and its Commentaries.

(f) Fine Schedule

The following fine schedule sets forth the amount of the fine(s) to be imposed. Except as noted below, the amount of the fine(s) shall be imposed at the First Level pursuant to the

chart below. If another Minor Rule Plan Fine has been issued to the same ETP Holder or Associated Person for the same or similar conduct violating the same rule (regardless of when paid) within 24 months from the date of occurrence of the violation(s) set forth in the current Notice of Minor Rule Plan Fine, then the fine(s) shall be imposed at the Second Level. If two or more separate Notices of Minor Rule Plan Fine have previously been issued to the same ETP Holder or Associated Person for the same or similar conduct violating the same rule within 24 months from the date of occurrence of the violation(s) set forth in the current Notice of Minor Rule Plan Fine, then the fine(s) shall be imposed at the Third Level.

*(1) Trading Rule Violations Fine Levels*

	<b>Fine Levels</b>		
	<b>1st Level</b>	<b>2nd Level</b>	<b>3rd Level</b>
1. Short Sales. (Rule 7.16)	\$500.00	\$1,000.00	\$2,500.00
2. Failure to maintain continuous two-sided Q Orders in those securities in which the Market Maker is registered to trade. (Rule 7.23(a)(1))	\$250.00	\$500.00	\$1,000.00
3. Failure to comply with Authorized Trader requirements. (Rule 7.30).	\$1,000.00	\$2,500.00	\$3,500.00
4. Acting as a Market Maker in a security without being registered as such as required by Rule 7.20(a).	\$250.00	\$500.00	\$1,000.00
5. Committing any act prohibited by Rule 11.12.11 (Prearranged Trades)	\$1,000.00	\$2,500.00	\$3,500.00

*(2) Record Keeping and Other Minor Rule Violations Fine Levels*

	<b>Fine Levels</b>		
	<b>1st Level</b>	<b>2nd Level</b>	<b>3rd Level</b>
1. Failure to comply with the requirements for preventing the Misuse of Material Nonpublic Information as set forth in Rule 11.5.5	\$2,000.00	\$4,000.00	\$5,000.00
2. Failure to comply with the books and records requirements of Rule 11.4.1	\$2,000.00	\$4,000.00	\$5,000.00
3. Failure to comply with the employee	\$1,000.00	\$2,500.00	\$3,500.00

registration or other requirements of Rule 2.2.<sup>1</sup>

<sup>1</sup> In addition to the specified fines, the Exchange may require the violator to remit all fees that it should have paid to the Exchange pursuant to compliance with Rule 2.2.

**Rule 10.9220. Request for Hearing; Extensions of Time, Postponements, Adjournments**

**Rule 10.9221. Request for Hearing**

**(a) Respondent Request for Hearing.**

With the filing of any Respondent's answer, such Respondent may:

- (1) request a hearing; and
- (2) propose an appropriate location for the hearing.

If a Respondent requests a hearing, a hearing shall be granted. A Respondent who fails to request a hearing with the filing of his or her answer waives the right to a hearing unless a Hearing Officer, Hearing Panel, or, if applicable, an Extended Hearing Panel, grants, for good cause shown, a later filed motion by such Respondent requesting a hearing.

**(b) Hearing Officer Order Requiring Hearing**

In the absence of a request for a hearing from any Respondent, the Hearing Officer may order any complaint set down for hearing.

**(c) Authority of Hearing Panel, Extended Hearing Panel to Order Hearing**

If all Respondents waive a hearing, and the Hearing Officer does not order a hearing on his or her own motion, the Hearing Panel or, if applicable, the Extended Hearing Panel, may order a hearing or may consider the matter on the record, as defined in Rule 10.9267. If fewer than all Respondents waive a hearing, the Hearing Officer, the Hearing Panel, or, if applicable, the Extended Hearing Panel, may, in the exercise of its discretion, order that a hearing be held as to all Respondents. Alternatively, the Hearing Officer, the Hearing Panel, or, if applicable, the Extended Hearing Panel, may conduct a hearing as to only those Respondents who requested a hearing and consider the matter on the record as to those Respondents who waived a hearing.

**(d) Notice of Hearing**

The Hearing Officer shall issue a notice stating the date, time, and place of the hearing, and whether the hearing shall be held before a Hearing Panel or an Extended Hearing Panel, and shall serve such notice on the Parties at least 28 days before the hearing, unless:

- (1) in the discretion of the Hearing Officer, he or she determines that extraordinary circumstances require a shorter notice period; or
- (2) the Parties waive the notice period.

#### **Rule 10.9222. Extensions of Time, Postponements, and Adjournments**

##### **(a) Availability**

At any time prior to the issuance of the decision of the Hearing Panel or, if applicable, the Extended Hearing Panel, the Hearing Officer may, for good cause shown, extend or shorten any time limits prescribed by the Code for the filing of any papers and may, consistent with paragraph (b), postpone or adjourn any hearing.

##### **(b) Limitations on Postponements, Adjournments, and Extensions**

A hearing shall begin at the time and place ordered, unless the Hearing Officer, for good cause shown, changes the place of the hearing, postpones the commencement of the hearing, or adjourns a convened hearing for a reasonable period of time, subject to the limitations in paragraph (b)(2).

##### **(1) Additional Considerations**

In considering a motion for the postponement of the start of a hearing or, adjournment once a hearing has begun, the Hearing Officer shall consider:

- (A) the length of the proceeding to date;
- (B) the number of postponements, adjournments, or extensions already granted;
- (C) the stage of the proceedings at the time of the request;
- (D) potential harm to the investing public if an extension of time, adjournment, or postponement is granted; and
- (E) such other matters as justice may require.

##### **(2) Time Limit**

Postponements, adjournments, or extensions of time for filing papers shall not exceed 28 days unless the Hearing Officer states on the record or provides by written order the reasons a longer period is necessary.

**Rule 10.9230. Appointment of Hearing Panel, Extended Hearing Panel**

**Rule 10.9231. Appointment by the Chief Hearing Officer of Hearing Panel or Extended Hearing Panel or Replacement Hearing Officer**

**(a) Appointment**

The Chief Hearing Officer shall appoint a Hearing Panel or an Extended Hearing Panel to conduct the disciplinary proceeding and issue a decision.

**(b) Hearing Panel**

The Hearing Panel shall be composed of a Hearing Officer and two Panelists, except as provided in paragraph (e) and in Rule 10.9234(a), (c), (d), or (e). The Hearing Officer shall serve as the chair of the Hearing Panel, and shall appoint Panelists pursuant to the criteria in Rule 10.9232.

**(c) Extended Hearing Panel**

Upon consideration of the complexity of the issues involved, the probable length of the hearing, or other factors that the Chief Hearing Officer deems material, the Chief Hearing Officer may determine that a matter shall be designated an Extended Hearing, and that such matter shall be considered by an Extended Hearing Panel. The Extended Hearing Panel shall be composed of a Hearing Officer and two Panelists, except as provided in Rule 10.9234(a), (c), (d), or (e). The Hearing Officer will serve as the chair of the Extended Hearing Panel. The Chief Hearing Officer shall have discretion to compensate any or all Panelists of an Extended Hearing Panel at the rate then in effect for FINRA arbitrators. The Chief Hearing Officer shall select as a Panelist a person who meets the criteria set forth in Rule 10.9232.

**(d) Observer**

A person who is qualified to serve as a Panelist may be designated by the Chief Hearing Officer to serve as an observer to a Hearing Panel or an Extended Hearing Panel. If the Chief Hearing Officer designates more than two people to serve as observers to a Hearing Panel or an Extended Hearing Panel, the Chief Hearing Officer shall obtain the consent of the Parties. An observer may attend any hearing of a disciplinary proceeding and observe the proceeding, but may not vote or participate in any other manner in the hearing or the deliberations of the Hearing Panel or the Extended Hearing Panel, or participate in the administration of the disciplinary proceeding.

### **(e) Appointment of Replacement Hearing Officer**

In the event that a Hearing Officer withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chief Hearing Officer shall appoint a replacement Hearing Officer. To ensure fairness to the parties and expedite completion of the proceeding when a replacement Hearing Officer is appointed after the hearing has commenced, the replacement Hearing Officer has discretion to exercise the following powers:

- (1) Allow the Hearing Panelists to resolve the issues in the proceeding and issue a decision without the participation of the replacement Hearing Officer in the decision. The replacement Hearing Officer may advise the Hearing Panelists regarding legal issues, and shall exercise the powers of the Hearing Officer under Rule 10.9235(a), including preparing and signing the decision on behalf of the Hearing Panel, in accordance with Rule 10.9268; or
- (2) Certify familiarity with the record and participate in the resolution of the issues in the case and in the issuance of the decision. In exercising this power, the replacement Hearing Officer may recall any witness before the Hearing Panel.

### **Rule 10.9232. Criteria for Selection of Panelists and Replacement Panelists**

(a) Each Panelist shall be a person of integrity and judgment and, other than the Hearing Officer, shall be a member of the Exchange BCC as provided in paragraph (b). At least one Panelist shall be engaged in securities activities differing from that of the Respondent or, if retired, was so engaged in differing activities at the time of retirement.

(b) The Exchange Board of Directors shall from time to time appoint a BCC to be composed of such number of ETP Holders of the Exchange who are not members of the Exchange Board of Directors and registered employees and non-registered employees of ETP Holders. Former ETP Holders or registered and non-registered employees of ETP Holders who have retired from the securities industry may be appointed to the BCC. The members of the BCC shall be appointed annually and shall serve at the pleasure of the Exchange Board of Directors.

### **(c) Criteria for Appointment of a Panelist**

The Chief Hearing Officer shall select Panelists from the current members of the Exchange BCC based upon the following criteria:

- (1) expertise;
- (2) the absence of any conflict of interest or bias, and any appearance thereof;

(3) availability; and,

(4) the frequency with which a person has served as a Panelist on a Hearing Panel during the past two years, favoring the selection of a person as a Panelist who has never served or served infrequently as a Panelist during the period.

**Rule 10.9233. Hearing Panel or Extended Hearing Panel: Recusal and Disqualification of Hearing Officers**

**(a) Recusal, Withdrawal of Hearing Officer**

If at any time a Hearing Officer determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, the Hearing Officer shall notify the Chief Hearing Officer and the Chief Hearing Officer shall issue and serve on the Parties a notice stating that the Hearing Officer has withdrawn from the matter. In the event that a Hearing Officer withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chief Hearing Officer shall appoint a replacement Hearing Officer. In such a case, the replacement Hearing Officer shall proceed according to Rule 10.9231(e).

**(b) Motion for Disqualification**

A Party may move for the disqualification of a Hearing Officer. A motion shall be based upon a reasonable, good faith belief that a conflict of interest or bias exists or circumstances otherwise exist where the Hearing Officer's fairness might reasonably be questioned, and shall be accompanied by an affidavit setting forth in detail the facts alleged to constitute grounds for disqualification, and the dates on which the Party learned of those facts. Such motions shall be filed not later than 15 days after the later of:

(1) when the Party learned of the facts believed to constitute the disqualification; or

(2) when the Party was notified of the assignment of the Hearing Officer.

**(c) Disposition of Disqualification Motion**

A motion for disqualification of a Hearing Officer shall be decided by the Chief Hearing Officer who shall promptly investigate whether disqualification is required and issue a written ruling on the motion. In the event of a disqualification of the Hearing Officer, the Chief Hearing Officer shall appoint a replacement Hearing Officer.

**Rule 10.9234. Hearing Panel or Extended Hearing Panel: Recusal and Disqualification of Panelists**

**(a) Recusal, Withdrawal of Panelist**

If at any time a Panelist of a Hearing Panel or an Extended Hearing Panel determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, the Panelist shall notify the Hearing Officer and the Hearing Officer shall issue and serve on the Parties a notice stating that the Panelist has withdrawn from the matter. In the event that a Panelist withdraws, is incapacitated, or otherwise is unable to continue service after being appointed, the Chief Hearing Officer may, in the exercise of discretion, determine whether to appoint a replacement Panelist. In the event that both Panelists withdraw, are incapacitated, or otherwise are unable to continue service after being appointed, the Chief Hearing Officer shall appoint two replacement Panelists.

**(b) Disqualification: Motion of Party; Order of Chief Hearing Officer**

(1) A Party may file a motion to disqualify a Panelist of a Hearing Panel or an Extended Hearing Panel. A motion shall be based upon a reasonable, good faith belief that a conflict of interest or bias exists or circumstances otherwise exist where the Panelist's fairness might reasonably be questioned, and shall be accompanied by an affidavit setting forth in detail the facts alleged to constitute grounds for disqualification, and the dates on which the Party learned of those facts.

(2) Such motions shall be filed not later than 15 days after the later of:

(A) when the Party learned of the facts believed to constitute the disqualification; or

(B) when the Party was notified of the appointment of the Panelist.

(3) The Chief Hearing Officer may order the disqualification of a Panelist of a Hearing Panel or an Extended Hearing Panel if the Chief Hearing Officer determines that a conflict of interest or bias exists or circumstances otherwise exist where the Panelist's fairness might reasonably be questioned, and shall state the facts constituting the grounds for disqualification.

**(c) Disposition of Disqualification Motion: Challenge to Single Member of Hearing Panel**

If a Party files a motion to disqualify a Panelist of a Hearing Panel or an Extended Hearing Panel, the Hearing Officer shall promptly investigate whether disqualification is required and shall issue a written ruling on the motion. In the event a Panelist is



disqualified, the Chief Hearing Officer may, in the exercise of discretion, appoint a replacement Panelist.

**(d) Disposition of Disqualification Motion: Challenge to Both Panelists of Hearing Panel or Extended Hearing Panel**

If a Party files a motion to disqualify both Panelists of a Hearing Panel or an Extended Hearing Panel, the Hearing Officer shall promptly investigate whether disqualification is required and shall issue a written ruling on the motion. In the event one Panelist is disqualified, the Chief Hearing Officer may, in the exercise of discretion, appoint a replacement Panelist. In the event both Panelists are disqualified, the Chief Hearing Officer shall promptly appoint two persons as replacement Panelists.

**(e) Disposition of Disqualification Motion: Challenge to Both Panelists of Hearing Panel or Extended Hearing Panel and Hearing Officer**

If a Party files a motion to disqualify both Panelists of a Hearing Panel or an Extended Hearing Panel, and the Hearing Officer, the Chief Hearing Officer shall promptly investigate whether disqualification is required and shall issue a written ruling on the motion. In the event a Panelist is disqualified, the Chief Hearing Officer may, in the exercise of discretion, appoint a replacement Panelist. In the event both Panelists are disqualified, the Chief Hearing Officer shall promptly appoint two persons as replacement Panelists. In the event a Hearing Officer and a Panelist are disqualified, the Chief Hearing Officer shall promptly appoint a replacement Hearing Officer. In the event both Panelists and the Hearing Officer are disqualified, the Chief Hearing Officer shall promptly appoint a replacement Hearing Officer and two persons as replacement Panelists.

**(f) Criteria for Replacement Panelist**

If the Chief Hearing Officer appoints a replacement Panelist by operation of this Rule, the Chief Hearing Officer shall do so using the criteria set forth in Rule 10.9232.

**Rule 10.9235. Hearing Officer Authority**

**(a) Hearing Officer Authority**

The Hearing Officer shall be selected by the Chief Hearing Officer and shall have authority to do all things necessary and appropriate to discharge his or her duties. In addition to the powers exercised by all members of the Hearing Panel or, if applicable, the Extended Hearing Panel, the powers of the Hearing Officer include, but are not limited to:

- (1) holding pre-hearing and other conferences and requiring the attendance at any such conference of at least one representative of

each Party who has authority to negotiate the resolution of issues in controversy;

(2) regulating the course of the hearing;

(3) ordering the Parties to present oral arguments at any stage of the disciplinary proceeding;

(4) resolving any and all procedural and evidentiary matters, discovery requests, and other non-dispositive motions, subject to any limitations set forth elsewhere in the Code;

(5) reopening any hearing, upon notice to all Parties, prior to the issuance of the decision of the Hearing Panel or, if applicable, the Extended Hearing Panel;

(6) creating and maintaining the official record of the disciplinary proceeding; and

(7) drafting a decision that represents the views of the majority of the Hearing Panel or, if applicable, the Extended Hearing Panel.

**(b) Authority in the Absence of Hearing Officer**

If the Hearing Officer appointed to a case is temporarily unavailable or unable for any reason to discharge his or her duties in a particular proceeding under conditions not requiring the appointment of a replacement Hearing Officer, the Chief Hearing Officer or the Deputy Chief Hearing Officer in his or her discretion may exercise the necessary authority in the same manner as if he or she had been appointed Hearing Officer in the particular proceeding.

**Rule 10.9240. Pre-hearing Conference and Submission**

**Rule 10.9241. Pre-hearing Conference**

**(a) Purposes**

The purposes of a pre-hearing conference include, but are not limited to:

(1) expediting the disposition of the proceeding;

(2) establishing procedures to manage the proceeding efficiently; and

(3) improving the quality of the hearing through more thorough preparation.

**(b) Procedure**

On his or her own motion or at the request of a Party, the Hearing Officer may, in his or her discretion, order counsel or any Party to meet for a pre-hearing conference. Such conferences also may be held with one or more persons participating by telephone or other remote means.

**(c) Subjects to be Discussed**

At a pre-hearing conference, the Hearing Officer shall schedule an expedited proceeding as required by Rule 10.9290, and may consider and take action with respect to any or all of the following:

- (1) simplification and clarification of the issues;
- (2) exchange of witness and exhibit lists and copies of exhibits;
- (3) stipulations, admissions of fact, and stipulations concerning the contents, authenticity, or admissibility into evidence of documents;
- (4) matters of which official notice may be taken;
- (5) the schedule for exchanging pre-hearing motions or briefs, if any;
- (6) the method of service and filing of papers by the Parties;
- (7) determination of hearing dates;
- (8) amendments to the complaint or answers thereto;
- (9) production of documents as set forth in Rule 10.9251;
- (10) designation of relevant portions of transcripts from investigative testimony or other proceedings and the inclusion of an index for such testimony; and
- (11) such other matters as may aid in the orderly and expeditious disposition of the proceeding.

**(d) Scheduling**

An initial pre-hearing conference, unless determined by the Hearing Officer to be unnecessary or premature, shall be held within 21 days after filing of an answer, or after the expiration of the second period provided for filing an answer as set forth in Rule 10.9215(f). When a complaint names multiple Respondents, the 21-day period shall commence from the later of:

- (1) the date on which the last timely answer was filed, or
- (2) if one or more Respondents has failed to answer, from the expiration of the second period provided for filing an answer under Rule 10.9215(f).

**(e) Pre-hearing Order**

At or following the conclusion of any conference held pursuant to this Rule, the Hearing Officer shall enter a written ruling or order that recites any agreements reached and any procedural determinations made by the Hearing Officer.

**(f) Failure to Appear: Default**

The Hearing Officer may issue a default decision, pursuant to Rule 10.9269, against a Party that fails to appear, in person or through counsel or a representative, at a prehearing conference of which the Party has due notice.

**Rule 10.9242. Pre-hearing Submission**

**(a) Requirement to Furnish Information**

Prior to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, the Hearing Officer, in the exercise of his or her discretion, may order a Party to furnish to all other Parties and the Hearing Panel or, if applicable, the Extended Hearing Panel, such information as deemed appropriate, including any or all of the following:

- (1) an outline or narrative summary of a Party's case or defense;
- (2) the legal theories upon which a Party shall rely;
- (3) a list and copies of documents that a Party intends to introduce at the hearing;
- (4) a list of witnesses who shall testify on a Party's behalf, including the witnesses' names, occupations, addresses, and a brief summary of their expected testimony; and,
- (5) if a witness shall be called to testify as an expert, a statement of the expert's qualifications, a listing of other proceedings in which the expert has given expert testimony, a list of the expert's publications, and copies of those publications that are not readily available to the other Parties and the Hearing Panel or, if applicable, the Extended Hearing Panel.

**(b) Prohibition on Serving as Expert Witness**

No former Regulatory Staff shall, within a period of one year immediately following termination of employment with the Exchange or FINRA, provide expert testimony on behalf of any other person in any proceeding under the Rule 10.9000 Series. Nothing in this Rule shall prohibit former Regulatory Staff from testifying as a witness on behalf of the Exchange or FINRA.

**Rule 10.9250. Discovery**

**Rule 10.9251. Inspection and Copying of Documents in Possession of Staff**

**(a) Documents to be Available for Inspection and Copying**

(1) Unless otherwise provided by this Rule, or by order of the Hearing Officer, Enforcement shall make available for inspection and copying by any Respondent, Documents prepared or obtained by Interested Staff in connection with the investigation that led to the institution of proceedings. Such Documents include but are not limited to:

(A) requests for information issued pursuant to Rule 10.8210;

(B) every other written request directed to persons not employed by the Exchange to provide Documents or to be interviewed;

(C) the Documents provided in response to any such requests described in (A) and (B) above;

(D) all transcripts and transcript exhibits; and

(E) all other Documents obtained from persons not employed by the Exchange.

(2) Enforcement shall promptly inform the Hearing Officer and each other Party if, after the issuance of a complaint, requests for information under Rule 10.8210 are issued under the same investigative file number under which the investigation leading to the institution of disciplinary proceedings was conducted. If Interested Staff receives Documents pursuant to a request for information under Rule 10.8210 after Documents have been made available to a Respondent for inspection and copying as set forth in paragraph (a), and if such Documents are material and relevant to the disciplinary proceeding in which such Respondent is a Party, the additional Documents shall be made available to the Respondent not later than 14 days after the Interested Staff receives such Documents. If a hearing on the merits is scheduled to begin, Interested Staff shall make the additional Documents available to the Respondent not less

than ten days before the hearing. If Interested Staff receives such Documents ten or fewer days before a hearing on the merits is scheduled to begin or after such hearing begins, Interested Staff shall make the additional Documents available immediately to the Respondent.

(3) Nothing in paragraph (a)(1) shall limit the discretion of Enforcement to make available any other Document or the authority of the Hearing Officer to order the production of any other Document.

**(b) Withheld Documents**

(1) Enforcement may withhold a Document if:

(A) the Document is privileged or constitutes attorney work product;

(B) the Document is an examination or inspection report, an internal memorandum, or other note or writing prepared by an Exchange employee that shall not be offered in evidence;

(C) the Document would disclose:

(i) an examination, investigatory or enforcement technique or guideline of the Exchange, a federal, state, or foreign regulatory authority, or a self-regulatory organization;

(ii) the identity of a source, including a federal, state, or foreign regulatory authority or a self-regulatory organization that furnished information or was furnished information on a confidential basis regarding an investigation, an examination, an enforcement proceeding, or any other type of civil or criminal enforcement action; or

(iii) an examination, an investigation, an enforcement proceeding, or any other type of civil or criminal enforcement action under consideration by, or initiated by, the Exchange, a federal, state, or foreign regulatory authority, or a self-regulatory organization; or

(D) the Hearing Officer grants leave to withhold a Document or category of Documents as not relevant to the subject matter of the proceeding, or for other good cause shown.

(2) Enforcement shall withhold a Document if the Document is prohibited from disclosure by federal law.

(3) Nothing in paragraph (b)(1) authorizes Enforcement to withhold a Document, or a part thereof, that contains material exculpatory evidence.

**(c) Withheld Document List**

The Hearing Officer may require Enforcement to submit to the Hearing Officer a list of Documents withheld pursuant to paragraph (b) or to submit to the Hearing Officer any Document withheld. Upon review, the Hearing Officer may order Enforcement to make the list or any Document withheld available to the other Parties for inspection and copying unless federal law prohibits disclosure of the Document or its existence. A motion to require Enforcement to produce a list of Documents withheld pursuant to paragraph (b) shall be based upon some reason to believe that a Document is being withheld in violation of the Code.

**(d) Timing of Inspection and Copying**

The Hearing Officer shall determine the schedule of production of documents pursuant to this Rule. Unless otherwise ordered by the Hearing Officer, Enforcement shall commence making Documents available to a Respondent for inspection and copying pursuant to this Rule not later than 21 days after service of the Respondent's answer or, if there are multiple Respondents, not later than 21 days after the last timely answer is filed. If a Respondent in a multi-Respondent case fails to answer, Enforcement shall make Documents available to all other Respondents not later than the later of:

(1) 21 days after the filing date of the last timely answer, or

(2) the expiration of the second period provided for filing an answer as set forth in Rule 10.9215(f).

**(e) Place and Time of Inspection and Copying**

Documents subject to inspection and copying pursuant to this Rule shall be made available to the Respondent for inspection and copying at the Exchange office where they are ordinarily maintained, or at such other office as the Hearing Officer, in his or her discretion, shall designate, or as the Parties otherwise agree. A Respondent shall be given access to the Documents during normal business hours. A Respondent shall not be given custody of the Documents or be permitted to remove the Documents from the Exchange's offices.

**(f) Copying Costs**

A Respondent may obtain a photocopy of all Documents made available for inspection. A Respondent shall be responsible for the cost of photocopying. Unless otherwise ordered, charges for copies made at the request of a Respondent shall be at a rate to be established by the Exchange.

**(g) Failure to Make Documents Available — Harmless Error**

In the event that a Document required to be made available to a Respondent pursuant to this Rule is not made available by Enforcement, no rehearing or amended decision of a proceeding already heard or decided shall be required unless the Respondent establishes that the failure to make the Document available was not harmless error. The Hearing Officer, or, upon review under Rule 10.9310, the Exchange Board of Directors, shall determine whether the failure to make the document available was not harmless error, applying applicable Exchange, FINRA, SEC, and federal judicial precedent.

**Rule 10.9252. Requests for Information**

**(a) Content and Timing of Requests**

A Respondent who requests that the Exchange invoke Rule 10.8210 to compel the production of Documents or testimony at the hearing shall do so in writing and serve copies on all Parties. Such request shall: be submitted to the Hearing Officer no later than 21 days before the scheduled hearing date; describe with specificity the Documents, the category or type of Documents, or the testimony sought; state why the Documents, the category or type of Documents, or the testimony are material; describe the requesting Party's previous efforts to obtain the Documents, the category or type of Documents, or the testimony through other means; and state whether the custodian of each Document, or the custodian of the category or type of Documents, or each proposed witness is subject to the Exchange's jurisdiction.

**(b) Standards for Issuance**

A request that the Exchange compel the production of Documents or testimony shall be granted only upon a showing that: the information sought is relevant, material, and noncumulative; the requesting Party has previously attempted in good faith to obtain the desired Documents and testimony through other means but has been unsuccessful in such efforts; and each of the persons from whom the Documents and testimony are sought is subject to the Exchange's jurisdiction. In addition, the Hearing Officer shall consider whether the request is unreasonable, oppressive, excessive in scope, or unduly burdensome, and whether the request should be denied, limited, or modified.

**(c) Limitations on Requests**

If, after consideration of all the circumstances, the Hearing Officer determines that a request submitted pursuant to this Rule is unreasonable, oppressive, excessive in scope, or unduly burdensome, he or she shall deny the request, or grant it only upon such



conditions as fairness requires. In making the foregoing determination, the Hearing Officer may inquire of the other Parties whether they shall stipulate to the facts sought to be proved by the Documents or testimony sought. If the Hearing Officer grants the request, the Hearing Officer shall order that requested Documents be produced to all Parties not less than ten days before the hearing, and order that witnesses whose testimony was requested appear and testify at the hearing. If the Hearing Officer grants the request ten or fewer days before a hearing on the merits is scheduled to begin or after such hearing begins, the Documents or testimony shall be produced immediately to all Parties.

### **Rule 10.9253. Production of Witness Statements**

#### **(a) Availability**

Notwithstanding the provisions of Rule 10.9251(b),

(1) A Respondent in a disciplinary proceeding may file a motion requesting that Enforcement produce for inspection and copying any statement of any person called or to be called as a witness by Enforcement that pertains, or is expected to pertain, to his or her direct testimony and which is "a stenographic, mechanical, electrical, or other recording, or a transcription thereof, which is a substantially verbatim recital of an oral statement made by said witness and recorded contemporaneously with the making of such oral statement," as that phrase is used in 18 U.S.C. §3500(e)(2).

(2) A Respondent in a disciplinary proceeding may also file a motion requesting that Enforcement produce for inspection and copying any contemporaneously written statement made by an Interested Staff member during a routine examination or inspection about the substance of oral statements made by a non-Exchange person when

(A) either the Interested Staff member or non-Exchange person is called as a witness by Enforcement, and

(B) that portion of the statement for which production is sought directly relates to the Interested Staff member's testimony or the testimony of the non-Exchange witness.

#### **(b) Failure to Produce — Harmless Error**

In the event that a statement required to be made available for inspection and copying by a Respondent is not provided by Enforcement, there shall be no rehearing of a proceeding already heard, or issuance of an amended decision in a proceeding already decided, unless the Respondent establishes that the failure to provide the statement was not harmless error. The Hearing Officer, or upon review under Rule 10.9310, the Exchange

Board of Directors, shall determine whether the failure to provide any statement was not harmless error, applying applicable Exchange, FINRA, SEC, and federal judicial precedent.

**Rule 10.9260. Hearing and Decision**

**Rule 10.9261. Evidence and Procedure in Hearing**

**(a) Submission of Documentary Evidence and List of Witnesses Before Hearing**

No later than ten days before the hearing, or at such earlier date as may be specified by the Hearing Officer, each Party shall submit to all other Parties and to the Hearing Officer copies of documentary evidence and the names of the witnesses each Party intends to present at the hearing. The documentary evidence submitted by the Parties prior to the hearing pursuant to this paragraph shall not become part of the record, unless the Hearing Officer, Hearing Panel, or Extended Hearing Panel orders some or all of it included pursuant to Rule 10.9267(a)(8). The Hearing Officer may order each Party to refrain from submitting its documentary evidence to the Hearing Officer.

**(b) Party's Right to Be Heard**

If a hearing is held, a Party shall be entitled to be heard in person, by counsel, or by the Party's representative.

**(c) Request to Submit Additional Evidence**

Notwithstanding paragraph (a), a Party, for good cause shown, may seek to submit any additional evidence at the hearing as the Hearing Officer, in his or her discretion, determines may be relevant and necessary for a complete record.

**Rule 10.9262. Testimony**

A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

**Rule 10.9263. Evidence: Admissibility**

**(a) Criteria for Receiving and Excluding Evidence**

The Hearing Officer shall receive relevant evidence, and may exclude all evidence that is irrelevant, immaterial, unduly repetitious, or unduly prejudicial.

**(b) Objections**

Objections to the admission or exclusion of evidence shall be made on the record and

shall succinctly state the grounds relied upon. Excluded material shall be deemed a supplemental document, which shall be attached to the record and retained under Rule 10.9267.

### **Rule 10.9264. Motion for Summary Disposition**

#### **(a) Pre-hearing**

After a Respondent's answer has been filed and Documents have been made available to that Respondent for inspection and copying pursuant to Rule 10.9251, the Respondent or Enforcement, without leave of the Hearing Officer, may make a motion for summary disposition of any or all the causes of action in the complaint with respect to that Respondent, as well as any defense raised in a Respondent's answer. All pre-hearing motions for summary disposition and supporting papers shall be filed at least 21 days before the time set for the hearing, or at such earlier time as ordered by the Hearing Officer. Notwithstanding the provisions of Rule 10.9146(d), any opposition or response to a pre-hearing motion for summary disposition shall be filed at least seven days before the time set for the hearing.

#### **(b) After Commencement of Hearing on Merits**

After a hearing on the merits has commenced, a Respondent or Enforcement may make a motion for summary disposition of any or all of the causes of action in the complaint with respect to that Respondent or defenses raised in that Respondent's answer only with leave of the Hearing Officer.

#### **(c) Case Not Fully Adjudicated on Motion**

If on motion under this rule a decision is not rendered upon the whole case or for all the relief asked and a hearing is necessary, the Hearing Panel or, if applicable, the Extended Hearing Panel, at the hearing of the motion, by examining the pleadings and the evidence before it and by questioning counsel, shall, if practicable, ascertain what material facts exist without substantial controversy and what material facts are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without substantial controversy, and directing such further proceedings in the action as are just. Upon the hearing of the action the facts so specified shall be deemed established, and the hearing shall be conducted accordingly.

#### **(d) Form of Papers**

A motion for summary disposition pursuant to paragraph (a) shall be accompanied by the following: a statement of undisputed facts; a supporting memorandum of points and authorities; and affidavits or declarations that set forth such facts as would be admissible at the hearing and show affirmatively that the affiant is competent to testify to the matters stated therein. A memorandum of points and authorities in support or opposition shall not exceed 35 pages.

### **(e) Rulings on Motion**

The Hearing Officer may promptly deny or defer decisions on any motion for summary disposition, however, only the Hearing Panel or, if applicable, the Extended Hearing Panel, may grant a motion for summary disposition, except the Hearing Officer may grant motions for summary disposition with respect to questions of jurisdiction. The Hearing Panel or, if applicable, the Extended Hearing Panel, may grant the motion for summary disposition if there is no genuine issue with regard to any material fact and the Party that files the motion is entitled to summary disposition as a matter of law. If a Party files a motion under paragraph (a), the facts alleged in the pleadings of the Party against whom the motion is made shall be taken as true, except as modified by stipulations or admissions made by the non-moving Party, by uncontested affidavits or declarations, or by facts officially noticed pursuant to Rule 10.9145. If a Party opposing a motion for summary disposition made under paragraph (a) cannot present, by affidavit prior to the hearing, facts essential to justify the Party's opposition to the motion, the Hearing Panel or, if applicable, the Extended Hearing Panel, may deny the motion for summary disposition or defer the decision on the motion.

### **Rule 10.9265. Record of Hearing**

#### **(a) Recordation**

A hearing shall be recorded by a court reporter and a transcript shall be prepared. Unless otherwise ordered by a Hearing Officer, a pre-hearing conference shall be recorded by a court reporter and a transcript shall be prepared.

#### **(b) Availability of a Transcript**

A transcript of a pre-hearing conference and a transcript of a hearing shall be available to a Party for purchase from the court reporter at prescribed rates. A witness may purchase from the court reporter a transcript of his or her own testimony.

#### **(c) Transcript Correction**

Prior to the filing of post-hearing briefs or proposed findings and conclusions, or within such earlier time as ordered by the Hearing Officer, a Party or witness may seek to correct his or her transcript. A proposed correction of the transcript shall be submitted to the Hearing Officer by affidavit. Upon notice to all Parties to the disciplinary proceeding, the Hearing Officer may order the correction to the transcript as requested or sua sponte.

### **Rule 10.9266. Proposed Findings of Fact, Conclusions of Law, and Post-Hearing Briefs**

#### **(a) Discretion of Hearing Officer to Require Proposed Findings of Fact, Conclusions of Law, and Post-Hearing Briefs**

At the discretion of the Hearing Officer, the Parties may be ordered to file proposed findings of facts and conclusions of law, or post-hearing briefs, or both. The Hearing Officer may order that such proposed findings and conclusions be filed together with, or as part of, post-hearing briefs.

**(b) Reference to Record Required**

Proposed findings of fact or other statements of fact in briefs shall be supported by specific references to the record.

**(c) Period for Filing**

In any case in which the Hearing Officer ordered the filing of proposed findings or conclusions of law, or post-hearing briefs, the Hearing Officer shall, after consultation with the Parties, prescribe the period within which proposed findings and conclusions of law and post-hearing briefs are to be filed. Such period shall be reasonable under all the circumstances but the total period allowed for the filing of post-hearing submissions shall not exceed 60 days after the conclusion of the hearing unless the Hearing Officer, for good cause shown, permits a different period and sets forth in an order the reasons why a longer period is necessary.

**(d) Form, Length of Papers**

Unless the Hearing Officer orders otherwise, each post-hearing submission shall not exceed 25 pages, exclusive of cover sheets, tables of contents, and tables of authorities.

**Rule 10.9267. Record; Supplemental Documents Attached to Record; Retention**

**(a) Contents of the Record, Retention**

The record shall consist of:

- (1) the complaint, answers, each notice of hearing, pre-hearing order, and any amendments thereto;
- (2) each application, motion, submission, and other paper, and any amendments, motions, objections, and exceptions to or regarding them;
- (3) each transcript of a pre-hearing conference and of a hearing, and each stipulation, transcript of testimony, Document, and other item admitted into evidence;
- (4) each written communication accepted at the discretion of the Hearing Officer;

(5) with respect to a motion to disqualify a Hearing Officer under Rule 10.9233 or a Panelist under Rule 10.9234, each affidavit or transcript of testimony taken and the ruling made in connection with the request;

(6) all proposed findings and conclusions;

(7) each written ruling, order, and decision issued by the Chief Hearing Officer, Hearing Officer, Hearing Panel or, if applicable, Extended Hearing Panel; and,

(8) any other Document or item accepted into the record by the Hearing Officer, the Hearing Panel or, if applicable, the Extended Hearing Panel.

**(b) Supplemental Documents Attached To Record; Retention**

(1) A supplemental Document attached to the record is any Document submitted to the Hearing Officer that did not become part of the record, including:

(A) a Document not admitted by the Hearing Officer, Hearing Panel or, if applicable, the Extended Hearing Panel;

(B) any matter stricken from any filing or stricken during an oral presentation, including any matter stricken from any filing or stricken during any oral presentation because the Adjudicator determined it was scandalous or impertinent as provided in Rule 10.9136(e); and

(C) a list of Documents, if any, that a Respondent unsuccessfully sought by motion to inspect and copy under Rule 10.9251(c).

(2) A supplemental Document attached to the record shall not constitute part of the record, but shall be retained until the date upon which the Exchange's decision becomes final disciplinary action or, if applicable, upon the conclusion of any review by the SEC or the federal courts.

**(c) Substitution of Copies**

Parties may submit to the Hearing Officer for substitution a true copy of a Document in the record.

**Rule 10.9268. Decision of Hearing Panel or Extended Hearing Panel**

**(a) Majority Decision**

Within 60 days after the final date allowed for filing proposed findings of fact, conclusions of law, and post-hearing briefs, or by a date established at the discretion of the Chief Hearing Officer, the Hearing Officer shall prepare a written decision that reflects the views of the Hearing Panel or, if applicable, the Extended Hearing Panel, as determined by majority vote.

**(b) Contents of Decision**

The decision shall include:

- (1) a statement describing the investigative or other origin of the disciplinary proceeding, if not otherwise contained in the record;
- (2) the specific statutory or rule provisions that were alleged to have been violated;
- (3) a statement setting forth the findings of fact with respect to any act or practice the Respondent was alleged to have committed or omitted;
- (4) the conclusions of the Hearing Panel, or Extended Hearing Panel, as to whether the Respondent violated any provision alleged in the complaint;
- (5) a statement of the Hearing Panel, or the Extended Hearing Panel, in support of the disposition of the principal issues raised in the proceeding;
- (6) a statement describing any sanction imposed, the reasons therefor, and the date upon which such sanction shall become effective. Unless otherwise provided in the decision, the sanction(s) shall become effective pursuant to paragraph (f) of this Rule; and
- (7) a statement, when the sanctions include a permanent cease and desist order, that is consistent with the requirements of Rule 10.9291(a) concerning the content, scope, and form of a permanent cease and desist order.

**(c) Dissenting Opinion**

Within 65 days after the final date allowed for filing proposed findings of fact and conclusions of law, and post-hearings briefs, or by a date established at the discretion of the Chief Hearing Officer, the Hearing Officer or any Panelist may prepare a written dissenting opinion.

#### **(d) Service, Notice, and Dissemination Requirements**

The Office of Hearing Officers shall promptly serve the decision of the Hearing Panel, or the Extended Hearing Panel, and any dissenting opinion on the Parties; publish notice of the decision and any dissenting opinion in the Central Registration Depository; and provide a copy of the decision and any dissenting opinion to each ETP Holder with which a Respondent is associated.

#### **(e) Review**

(1) If a request for review is not timely filed pursuant to Rule 10.9310, the majority decision shall constitute final disciplinary action of the Exchange for purposes of Exchange Act Rule 19d-1(c)(1).

(2) A majority decision with respect to an affiliate of the Exchange as such term is defined in Rule 12b-2 under the Exchange Act shall constitute final disciplinary action of the Exchange for purposes of SEC Rule 19d-1(c)(1) and may not be reviewed pursuant to Rule 10.9310.

#### **(f) Effectiveness of Sanctions**

Unless otherwise provided in the majority decision issued under paragraph (a) of this Rule:

(1) a sanction (other than a bar or an expulsion) specified in a decision constituting final disciplinary action of the Exchange for purposes of Exchange Act Rule 19d-1(c)(1) shall become effective on a date to be determined by the Exchange; and

(2) a bar or an expulsion specified in a decision shall become effective immediately upon the decision becoming the final disciplinary action of the Exchange for purposes of Exchange Act Rule 19d-1(c)(1).

### **Rule 10.9269. Default Decisions**

#### **(a) Issuance of Default Decisions**

(1) The Hearing Officer may issue a default decision against a Respondent that fails to answer the complaint within the time afforded under Rule 10.9215, or a Party that fails to appear at a pre-hearing conference held pursuant to Rule 10.9241 of which the Party has due notice, or a Party that fails to appear at any hearing that the



Party is required to attend under the Rule 10.9200 Series of which the Party has due notice.

(2) If the defaulting Party is the Respondent, the Hearing Officer may deem the allegations against that Respondent admitted. If the Defaulting Party is Enforcement, the Hearing Officer may issue a default decision ordering that the complaint be dismissed with prejudice.

(3) The Hearing Officer may order a Party that fails to appear at the prehearing conference or the hearing to pay the costs incurred by other Parties in connection with their appearance.

(4) The Office of Hearing Officers shall provide a copy of the default decision to each ETP Holder with which a Respondent is associated.

#### **(b) Contents of Decision**

The contents of a default decision shall conform to the requirements of Rule 10.9268(b).

#### **(c) Review of Default Decision**

A Party may, for good cause shown, file a motion to set aside a default, dismissal, and the imposition of costs. Upon a showing of good cause, the Hearing Officer that entered the original order shall decide the motion. If the Hearing Officer that issued the original order is not available, the Chief Hearing Officer shall appoint another Hearing Officer to decide the motion.

#### **(d) Final Disciplinary Action of the Exchange; Effectiveness of Sanctions**

If a request for a review of a default decision is not filed pursuant to Rule 10.9310 within 25 days after the date the Office of Hearing Officers serves it on the Parties, the default decision shall become the final disciplinary action of the Exchange for purposes of Exchange Act Rule 19d-1(c)(1). Unless otherwise provided in the default decision, the sanctions shall become effective on a date to be determined by Regulatory Staff, except that a bar or expulsion shall become effective immediately upon the default decision becoming the final disciplinary action of the Exchange. The decision shall be served on a Respondent by courier or other means reasonably likely to obtain prompt service when the sanction is a bar or an expulsion.

### **Rule 10.9270. Settlement Procedure**

#### **(a) When Offer Allowed; No Stay of Proceeding**

A Respondent who is notified that a proceeding has been instituted against him or her may propose in writing an offer of settlement at any time. If a Respondent proposes an

offer of settlement before the hearing on the merits has begun, the making of an offer of settlement shall not stay the proceeding, unless otherwise decided by the Hearing Officer. If a Respondent proposes an offer of settlement after the hearing on the merits has begun, the making of an offer of settlement shall not stay the proceeding, unless otherwise decided by the Hearing Panel or, if applicable, the Extended Hearing Panel.

**(b) Settlement Offer Shall Conform to Rule**

A Respondent who makes an offer of settlement shall do so in conformity with the provisions of this Rule and shall not make such an offer of settlement frivolously or propose a sanction inconsistent with the seriousness of the violations to be found.

**(c) Content and Signature Requirements**

An offer of settlement shall be in writing and signed by the person making the offer, and, if the person is represented by counsel or a representative, signed also by the counsel or representative. The offer of settlement shall contain in reasonable detail:

- (1) a statement describing the investigative or other origin of the disciplinary action;
- (2) the specific statutory or rule provisions that the ETP Holder or Associated Person is alleged to have violated;
- (3) a statement containing the acts or practices which the ETP Holder or Associated Person is alleged to have engaged in or omitted;
- (4) a statement consenting to findings of fact and violations consistent with the statements contained in the offer of settlement required by paragraphs (c)(2) and (c)(3);
- (5) a proposed sanction to be imposed that is consistent with the Exchange's then current sanction guidelines, if applicable, or, if inconsistent with the sanction guidelines, a detailed statement supporting the proposed sanction;
- (6) a description of the proposed sanction and the effective date of any sanction(s) imposed, or a statement that the effective date of the sanction(s) will be a date to be determined by Regulatory Staff; and
- (7) if applicable, a proposed permanent cease and desist order to be imposed that is consistent with the requirements of Rule 10.9291(a) concerning the content, scope, and form of a permanent cease and desist order.

**(d) Waiver**

(1) If a Respondent submits an offer of settlement, by the submission such Respondent waives:

(A) any right of such Respondent to a hearing before a Hearing Panel or, if applicable, an Extended Hearing Panel, and any right of review by the Exchange Board of Directors, the SEC, and the courts, or any right otherwise to challenge or contest the validity of the order issued, if the offer of settlement and order of acceptance are accepted;

(B) any right of such Respondent to claim bias or prejudgment of the Chief Hearing Officer, Hearing Officer, a Hearing Panel or, if applicable, an Extended Hearing Panel, a Panelist on a Hearing Panel, or, if applicable, an Extended Hearing Panel, the CRO, the Exchange Board of Directors, Counsel to the Exchange Board of Directors, or any Director, in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of acceptance, including acceptance, or rejection of such offer of settlement and order of acceptance; and

(C) any right of such Respondent to claim that a person or body violated the ex parte prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the offer of settlement and the order of acceptance, or other consideration of the offer of settlement and order of settlement, including acceptance or rejection of such offer of settlement and order of acceptance.

(2) If an offer of settlement and an order of acceptance are rejected, the Respondent shall be bound by the waivers made in this paragraph (d) for conduct by persons or bodies occurring during the period beginning from the date the offer of settlement was submitted and ending upon the rejection of the offer of settlement and order of acceptance.

**(e) Contested Offers of Settlement Deemed Rejected**

If a Respondent makes an offer of settlement and Enforcement opposes it, the offer of settlement is contested. A contested offer of settlement shall be deemed rejected, shall not be transmitted to the Office of Hearing Officers, CRO, or Hearing Panel or Extended

Hearing Panel, and shall not constitute a part of the record in any proceeding against the Respondent making the offer.

**(f) Uncontested Offers of Settlement**

If a Respondent makes an offer of settlement and Enforcement does not oppose it, the offer of settlement is uncontested. If an offer of settlement is determined to be uncontested by Enforcement before a hearing on the merits has begun, Enforcement shall transmit the uncontested offer of settlement and a proposed order of acceptance to the CRO with its recommendation. If an offer of settlement is determined to be uncontested by Enforcement after a hearing on the merits has begun, Enforcement shall transmit the offer of settlement and a proposed order of acceptance to the Hearing Panel or, if applicable, the Extended Hearing Panel to be accepted or rejected.

(1) A proposed order of acceptance shall make findings of fact, including a statement of the rule, regulation, or statutory provision violated, and impose sanctions (including, if applicable, a permanent cease and desist order) consistent with the terms of the offer of settlement.

(2) Before an offer of settlement and an order of acceptance shall become effective, they shall be submitted to and accepted by the CRO, the Hearing Panel, or if applicable, Extended Hearing Panel. The CRO, Hearing Panel, or if applicable, Extended Hearing Panel, may or may not accept such offer of settlement and order of acceptance.

(3) If the offer of settlement and order of acceptance are accepted by the CRO, the Hearing Panel or, if applicable, Extended Hearing Panel, they shall be issued and shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means. The offer of settlement and order of acceptance shall become final 25 days after they are sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to Rule 10.9310(a)(1). Enforcement shall provide a copy of an issued order of acceptance to each ETP Holder with which a Respondent is associated.

**(g) Final Disciplinary Action of the Exchange**

The proceeding shall conclude as of the date the order of acceptance is final. The final order of acceptance shall constitute final disciplinary action of the Exchange. The sanction shall take effect as set forth in the order.

### **(h) Uncontested Offer of Settlement Not Accepted**

If an uncontested offer of settlement or an order of acceptance is not accepted by the CRO, the Hearing Panel or the Extended Hearing Panel, the Respondent shall be notified in writing and the offer of settlement and proposed order of acceptance shall be deemed withdrawn. An offer and a proposed order of acceptance that are not accepted shall not constitute a part of the record in any proceeding against the Respondent making the offer.

### **(i) Disciplinary Proceeding With Multiple Respondents**

When a disciplinary proceeding names multiple Respondents, settlement offers may be accepted or rejected as to any one or all of the Respondents submitting offers. The proceedings shall thereafter be terminated as to those Respondents whose offers of settlement are accepted, but such Respondents may be required to participate in any hearing conducted as to those Respondents that did not submit offers of settlement or whose offers of settlement were rejected.

### **(j) No Prejudice from Rejected Offer of Settlement**

If an offer of settlement is rejected by the CRO, a Hearing Panel or Extended Hearing Panel, the Respondent shall not be prejudiced by the offer, which may not be introduced into evidence in connection with the determination of the issues involved in the pending complaint or in any other proceeding.

## **Rule 10.9280. Contemptuous Conduct**

### **(a) Persons Subject to Sanctions**

If a Party, attorney for a Party, or other person authorized to represent others by Rule 10.9141, engages in conduct in violation of an order of a Hearing Officer, a Hearing Panel or, if applicable, an Extended Hearing Panel, or other contemptuous conduct during a proceeding, a Hearing Officer, Hearing Panel or, if applicable, an Extended Hearing Panel, may:

(1) subject the Party, attorney for a Party, or other person authorized to represent others by Rule 10.9141, to the sanctions set forth in paragraph (b); and

(2) exclude an attorney for a Party, or other person authorized to represent others by Rule 10.9141, under Rule 10.9150.

### **(b) Sanctions Other Than Exclusion**

A Hearing Officer, Hearing Panel or, if applicable, an Extended Hearing Panel, may make such orders as are just in regard to a Party, an attorney for a Party, or other person authorized to represent others by Rule 10.9141.

(1) Such orders may include:

(A) an order providing that the matters on which the order is made or any other designated facts shall be taken to be established for the purposes of the disciplinary proceeding in accordance with the claim of the Party obtaining the order;

(B) an order providing that the disobedient Party may not support or oppose designated claims or defenses, or may not introduce designated matters in evidence;

(C) an order providing that pleadings or a specified part of the pleading shall be stricken, or an order providing that the proceeding shall be stayed until the Party subject to the order obeys it;

(D) in lieu of any of the foregoing orders or in addition thereto, an order providing that contemptuous conduct includes the failure to obey any order; and

(E) an order as provided in subparagraphs (A), (B), and (C) where a Party has failed to comply with an order to produce a person for examination, unless the Party failing to comply shows that such Party is unable to produce such person for examination.

(2) A Party that without substantial justification fails to disclose information required by the Rule 10.9240 Series and the Rule 10.9250 Series or otherwise required by order of the Hearing Officer, Hearing Panel or, if applicable, the Extended Hearing Panel, shall not, unless such failure is harmless, be permitted to use as evidence at a hearing, in a motion or in any other filing of papers, or in oral argument, any witness or information not so disclosed. In addition to, or in lieu of this sanction, the Hearing Officer, Hearing Panel or, if applicable, the Extended Hearing Panel, on motion and after affording an opportunity to be heard, may impose other appropriate sanctions. These sanctions may include any of the sanctions provided for in paragraphs (b)(1)(A) through (C).

### **(c) Review of Exclusions**

If an attorney for a Party, or other person authorized to represent others by Rule 10.9141, is excluded from a disciplinary hearing or conference, or any portion thereof, such attorney or other person may seek review of the exclusion by filing a motion to vacate with the Chief Hearing Officer. Such motion to vacate shall be filed and served on all Parties within five days after service of the exclusion order. Any response shall be filed

with the Chief Hearing Officer and served on all Parties within five days after the service of the motion to vacate. The Chief Hearing Officer shall consider such motion on an expedited basis and promptly issue a written order. The filing of a motion to vacate shall stay all aspects of the disciplinary proceeding until at least seven days after service of the order of the Chief Hearing Officer. The review proceedings shall be conducted on the basis of the written record without oral argument.

**(d) Adjournment**

The hearing, conferences, or other activities relating to the disciplinary proceeding shall be stayed pending the review by the Chief Hearing Officer of an exclusion order in paragraph (c). In the event that the Chief Hearing Officer upholds an exclusion of an attorney or other person authorized to represent others by Rule 10.9141, the Hearing Officer may, upon motion by a Party represented by an attorney or other person subject to an order of exclusion, grant an adjournment to allow the retention of new counsel or selection of a new representative. In determining whether to grant an adjournment or the length of an adjournment, the Hearing Officer shall consider whether there are other counsel or representatives of record on behalf of the Party, the availability of other counsel or other members of an excluded attorney's firm, or the availability of other representatives for the Party, and any other relevant factors.

**Rule 10.9290. Expedited Disciplinary Proceedings**

For any disciplinary proceeding, the subject matter of which also is subject to a temporary cease and desist proceeding initiated pursuant to Rule 10.9810 or a temporary cease and desist order, hearings shall be held and decisions shall be rendered at the earliest possible time. An expedited hearing schedule shall be determined at a pre-hearing conference held in accordance with Rule 10.9241.

**Rule 10.9291. Permanent Cease and Desist Orders**

**(a) Content, Scope and Form Requirements**

When a decision issued under Rule 10.9268 or Rule 10.9269 or an order of acceptance issued under Rule 10.9270 imposes a permanent cease and desist order, it shall:

- (1) order a Respondent (and any successor of a Respondent, where the Respondent is an ETP Holder) to cease and desist permanently from violating a specific rule or statutory provision;
- (2) set forth the violation; and
- (3) describe in reasonable detail the act or acts the Respondent (and any successor of a Respondent, where the Respondent is an ETP Holder) shall take or refrain from taking.

**(b) Delivery Requirement**

Where a Respondent is an ETP Holder, Respondent shall deliver a copy of a permanent cease and desist order, within one business day of receiving it, to its Associated Persons.

**RULE 10.9300. REVIEW OF DISCIPLINARY PROCEEDING BY EXCHANGE BOARD OF DIRECTORS**

**Rule 10.9310. Review by Exchange Board of Directors**

**(a) Request for Review**

(1)(A) Any Party, any Director, and any member of the Committee for Review may require a review by the Exchange Board of Directors of any determination or penalty, or both, imposed by a Hearing Panel or Extended Hearing Panel under the Rule 10.9200 Series, except that none of the aforementioned persons may request a review by the Exchange Board of Directors of a decision concerning an affiliate of the Exchange as such term is defined in Rule 12b-2 under the Exchange Act. A request for review shall be made by filing with the Secretary of the Exchange a written request therefor, which states the basis and reasons for such review, within 25 days after notice of the determination and/or penalty is served upon the Respondent. The Secretary of the Exchange shall give notice of any such request for review to the Parties.

(B) In addition to the provisions for review by the Exchange Board of Directors set forth in Rule 10.9310(a)(1)(A):

(i) Any Director and any member of the Committee for Review may require a review by the Exchange Board of Directors of any determination or penalty, or both, imposed in connection with a letter of acceptance, waiver, and consent under Rule 10.9216 or an offer of settlement determined to be uncontested before a hearing on the merits has begun under Rule 10.9270(f), except that none of the aforementioned persons may request a review by the Exchange Board of Directors of a determination or penalty concerning an ETP Holder that is an affiliate. A request for review shall be made by filing with the Secretary of the Exchange a written request therefor, which states the basis and reasons for such review, within 25 days after a letter of acceptance, waiver, and consent or an offer of settlement has been sent to each Director and each member of the Committee for Review pursuant to Rule 10.9216(a)(4) or Rule 10.9270(f)(3). The Secretary of the Exchange shall give notice of any such request for review to the Parties.



(ii) Any Party may require a review by the Exchange Board of Directors of any rejection by the CRO of a letter of acceptance, waiver, and consent under Rule 10.9216 or an offer of settlement determined to be uncontested before a hearing on the merits has begun under Rule 10.9270(f), except that no Party may request a review by the Exchange Board of Directors of a rejection of a letter of acceptance, waiver, and consent or an offer of settlement concerning an Exchange ETP Holder that is an affiliate. A request for review shall be made by filing with the Secretary of the Exchange a written request therefor, which states the basis and reasons for such review, within 25 days after notification pursuant to Rule 10.9216(a)(3) or Rule 10.9270(h) that a letter of acceptance, waiver, and consent, or an uncontested offer of settlement or an order of acceptance is not accepted by the CRO. The Secretary of the Exchange shall give notice of any such request for review to the Parties.

(2) In connection with any review under paragraph (a)(1)(A), the Secretary of the Exchange shall direct the Office of Hearing Officers to complete and transmit a record of the disciplinary proceeding in accordance with Rule 10.9267. Within 21 days after the Secretary of the Exchange gives notice of a request for review to the Parties, or at such later time as the Secretary of the Exchange may designate, the Office of Hearing Officers shall assemble and prepare an index to the record, transmit the record and the index to the Secretary of the Exchange, and serve copies of the index upon all Parties. The Hearing Officer who participated in the disciplinary proceeding, or the Chief Hearing Officer, shall certify that the record transmitted to the Secretary of the Exchange is complete.

**(b) Review by Exchange Board of Directors**

Any review by the Exchange Board of Directors shall be based on oral arguments and written briefs and shall be limited to consideration of the record before the Hearing Panel or Extended Hearing Panel. The Committee for Review may, but is not required to, appoint an appeals panel to conduct a review under this subsection and make a recommendation to the Committee for Review. An appeals panel appointed by the Committee for Review would consist of at least three and no more than five individuals. An appeals panel appointed by the Committee for Review would be composed of at least one director and one ETP Holder or individual associated with an ETP Holder. Upon review, and with the advice of the Committee for Review, the Exchange Board of Directors, by the affirmative vote of a majority of the Exchange Board of Directors then in office, may sustain any determination or penalty imposed, (including the terms of any permanent cease and desist order), or both, may modify or reverse any such determination, and may increase, decrease or eliminate any such penalty, or impose any penalty permitted under the Exchange's rules, as it deems appropriate. Unless the

Exchange Board of Directors otherwise specifically directs, the determination and penalty, if any, of the Exchange Board of Directors after review shall be final and conclusive subject to the provisions for review of the Exchange Act.

**(c) Remand**

Notwithstanding the foregoing, if either Party upon review applies to the Exchange Board of Directors for leave to adduce additional evidence, and shows to the satisfaction of the Exchange Board of Directors that the additional evidence is material and that there were reasonable grounds for failure to adduce it before the Hearing Panel or Extended Hearing Panel, the Exchange Board of Directors may remand the case for further proceedings, in whatever manner and on whatever conditions the Exchange Board of Directors considers appropriate.

**(d) Chief Executive Officer**

Notwithstanding any other provisions of this Rule 10.9000 Series, the Chief Executive Officer may not require a review by the Exchange Board of Directors under this Rule and shall be recused from deliberations and actions of the Exchange Board of Directors with respect to matters to be reviewed by the Exchange Board of Directors under this Rule.

**RULE 10.9500. OTHER PROCEEDINGS**

**Rule 10.9520. Eligibility Proceedings**

**Rule 10.9521. Purpose and Definitions**

**(a) Purpose**

The Rule 10.9520 Series sets forth procedures for an Associated Person to become or remain associated with an ETP Holder, notwithstanding the existence of a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act and for a current ETP Holder or Associated Person to obtain relief from the eligibility or qualification requirements of the Exchange's Rules. Such actions hereinafter are referred to as "eligibility proceedings."

**(b) Definitions**

(1) The term "Application" means FINRA's Form MC-400 for Associated Persons or Form MC-400A for ETP Holders, filed with FINRA's Department of Registration and Disclosure ("RAD").

(2) The term "disqualified ETP Holder" means a broker, dealer, municipal securities broker or dealer, government securities broker or dealer, or ETP Holder that is or becomes subject to a disqualification or is otherwise ineligible for an ETP under Exchange rules.

(3) The term "disqualified person" means an Associated Person or person seeking to become an Associated Person who is or becomes subject to a disqualification as defined in Section 3(a)(39) of the Exchange Act or is otherwise ineligible for association under Exchange rules.

(4) The term "sponsoring ETP Holder" means the ETP Holder or applicant for an ETP pursuant to Exchange rules that is sponsoring the association or continued association of a disqualified person to be admitted, readmitted, or permitted to continue in association.

## **Rule 10.9522. Initiation of Eligibility Proceeding; Member Regulation Consideration**

### **(a) Initiation by the Exchange**

#### **(1) Issuance of Notice of Disqualification or Ineligibility**

If Exchange staff has reason to believe that a disqualification exists or that an ETP Holder or Associated Person otherwise fails to meet the eligibility requirements of the Exchange, Exchange staff shall issue a written notice to the ETP Holder or applicant for an ETP under Exchange rules. The notice shall specify the grounds for such disqualification or ineligibility. Exchange staff shall not issue such written notice to ETP Holders or applicants for an ETP under Exchange rules with respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, unless the ETP Holder or applicant for an ETP under Exchange rules is required to file an application pursuant to a Regulatory Bulletin entitled "Eligibility Proceedings: Exchange Rule 10.9520 Series to Establish Procedures Applicable to ETP Holders and Associated Persons Subject to Certain Statutory Disqualifications" (the "SD Information Memo").

#### **(2) Notice Regarding an ETP Holder**

A notice issued to a disqualified ETP Holder shall state that the disqualified ETP Holder may apply for relief by filing an application or, in the case of a matter set forth in Rule 10.9522(e)(1), a written request for relief, within ten business days after service of the notice. If the ETP Holder fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the ETP of the ETP Holder shall be canceled, unless the Department of Member Regulation grants an extension for good cause shown.

### **(3) Notice Regarding an Associated Person**

A notice issued regarding a disqualified person to an ETP Holder or applicant for an ETP under Exchange rules shall state that such ETP Holder or applicant for membership may file an application on behalf of itself and such Associated Person or, in the case of a matter set forth in Rule 10.9522(e)(1), a written request for relief, within ten business days after service of the notice. If the ETP Holder fails to file the application or, where appropriate, the written request for relief, within the 10-day period, the registration of the disqualified person shall be revoked, unless the Department of Member Regulation grants an extension for good cause shown.

### **(4) Service**

A notice issued under this paragraph (a) shall be served pursuant to Rules 10.9131 and 10.9134.

### **(b) Obligation of ETP Holder to Initiate Proceeding**

(1) An ETP Holder shall file an application or, in the case of a matter set forth in Rule 10.9522(e)(1), a written request for relief, with RAD, if the ETP Holder determines prior to receiving a notice under paragraph (a) that:

(A) it has become a disqualified ETP Holder;

(B) a Person Associated with such ETP Holder or whose association is proposed by an applicant for an ETP under Exchange rules has become a disqualified person; or

(C) the ETP Holder, or applicant for an ETP under Exchange rules wishes to sponsor the association of an Associated Person who is a disqualified person.

(2) For any disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, an ETP Holder shall not file an application unless instructed to do so by the SD Information Memo.

### **(c) Withdrawal of Application**

An ETP Holder may withdraw its application or written request for relief prior to a hearing by filing a written notice with RAD pursuant to Rules 10.9135, 10.9136, and 10.9137. An ETP Holder may withdraw its application after the start of a hearing but

prior to the issuance of a decision by the Exchange Board of Directors by filing a written notice with RAD and the CRO pursuant to Rules 10.9135, 10.9136, and 10.9137.

**(d) Ex Parte Communications**

The prohibitions against ex parte communications set forth in Rule 10.9143 shall become effective under the Rule 10.9520 Series when Exchange staff has initiated the eligibility proceeding and Exchange staff has knowledge that an ETP Holder intends to file an application or written request for relief pursuant to the Rule 10.9520 Series.

**(e) Member Regulation Consideration**

**(1) Matters that may be Approved by the Department of Member Regulation without the Filing of an Application**

The Department of Member Regulation, as it deems consistent with the public interest and the protection of investors, is authorized to approve a written request for relief from the eligibility requirements by a disqualified ETP Holder or a sponsoring ETP Holder without the filing of an application by such disqualified ETP Holder or sponsoring ETP Holder if a disqualified ETP Holder or disqualified person is subject to one or more of the following conditions but is not otherwise subject to disqualification:

(A) a disqualified ETP Holder or disqualified person is subject to a disqualification based on an injunction that was entered ten or more years prior to the proposed admission or continuance by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, municipal securities dealer, government securities broker, government securities dealer, transfer agent, foreign person performing a function substantially equivalent to any of the above, entity or person required to be registered under the Commodity Exchange Act, or any substantially equivalent foreign statute or regulation, or as an affiliated person or employee of any investment company, bank, insurance company, foreign entity substantially equivalent to any of the above, or entity or person required to be registered under the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.

(B) a sponsoring ETP Holder makes a request to change the supervisor of a disqualified person; or

(C) a disqualified ETP Holder or sponsoring ETP Holder is a member of both the Exchange and another self-regulatory organization; and:

(i) the other self-regulatory organization intends to file a Notice under Exchange Act Rule 19h-1 approving the membership continuance of the disqualified ETP Holder or, in the case of a sponsoring ETP Holder, the proposed association or continued association of the disqualified person; and

(ii) the Department of Member Regulation concurs with that determination.

**(2) Matters that may be Approved by the Department of Member Regulation after the Filing of an Application**

The Department of Member Regulation, as it deems consistent with the public interest and the protection of investors, is authorized to approve an application filed by a disqualified ETP Holder or sponsoring ETP Holder if the disqualified ETP Holder or disqualified person is subject to one or more of the following conditions but is not otherwise subject to disqualification (other than a matter set forth in paragraph (e)(1)):

(A) The disqualified person is already a participant in, a member of, or a person associated with a member of, a self-regulatory organization (other than the Exchange), and the terms and conditions of the proposed admission to the Exchange are the same in all material respects as those imposed or not disapproved in connection with such Associated Person's prior admission or continuance pursuant to an order of the SEC under Exchange Act Rule 19h-1 or other substantially equivalent written communication;

(B) The Department of Member Regulation finds, after reasonable inquiry, that except for the identity of the employer concerned, the terms and conditions of the proposed admission or continuance are the same in all material respects as those imposed or not disapproved in connection with a prior admission or continuance of the disqualified person pursuant to an order of the SEC under Exchange Act Rule 19h-1 or other substantially equivalent written communication, and that there is no intervening conduct or other circumstance that would cause the employment to be inconsistent with the public interest or the protection of investors;

(C) The disqualification previously was a basis for the institution of an administrative proceeding pursuant to a provision of the federal securities laws, and was considered by the SEC in determining a sanction against such disqualified person in the proceeding; and the SEC concluded in such proceeding that it would not restrict or limit the future securities activities of such disqualified person in the capacity now proposed, or, if it imposed any such restrictions or limitations for a specified time period, such time period has elapsed;

(D) The disqualification consists of a court order or judgment of injunction or conviction, and such order or judgment:

(i) expressly includes a provision that, on the basis of such order or judgment, the SEC will not institute a proceeding against such Associated Person pursuant to Section 15(b) or 15B of the Exchange Act or that the future securities activities of such Associated Persons in the capacity now proposed will not be restricted or limited; or

(ii) includes such restrictions or limitations for a specified time period and such time period has elapsed;

(E) The disqualified person's functions are purely clerical and/or ministerial in nature; or

(F) The disqualification arises from findings or orders specified in Section 15(b)(4)(D), (E), or (H) of the Exchange Act or arises under Section 3(a)(39)(E) of the Exchange Act.

### **(3) Rights of Disqualified ETP Holder, Sponsoring ETP Holder, Disqualified Person, and Department of Member Regulation**

(A) In the event the Department of Member Regulation does not approve a written request for relief from the eligibility requirements pursuant to paragraph (e)(1), the disqualified ETP Holder or sponsoring ETP Holder may file an application, and such ETP Holder shall have the right to proceed under Rule 10.9523 or 10.9524, as applicable. The Department of Member Regulation may require a disqualified ETP Holder or sponsoring ETP Holder to file an application with RAD, notwithstanding the provisions of paragraph (e)(1).

(B) In the event the Department of Member Regulation does not approve an application pursuant to paragraph (e)(2), the disqualified ETP Holder or sponsoring ETP Holder shall have

the right to proceed under Rule 10.9523 or 10.9524, as applicable.

**Rule 10.9523. Acceptance of Member Regulation Recommendations and Supervisory Plans by Consent Pursuant to Exchange Act Rule 19h-1**

(a) With respect to all disqualifications, except those arising solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, after an application is filed, the Department of Member Regulation may recommend the membership or continued membership of a disqualified ETP Holder or sponsoring ETP Holder or the association or continuing association of a disqualified person pursuant to a supervisory plan where the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person, as the case may be, consent to the recommendation and the imposition of the supervisory plan. The disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person, as the case may be, shall execute a letter consenting to the imposition of the supervisory plan.

(1) If a disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person submitted an executed letter consenting to a supervisory plan, by the submission of such letter, the disqualified ETP Holder, sponsoring ETP Holder and/or disqualified person waive:

(A) the right to a hearing before a Hearing Panel and any right of appeal to the Exchange Board of Directors, the SEC, and the courts, or otherwise challenge the validity of the supervisory plan, if the supervisory plan is accepted.

(B) any right of the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person to claim bias or prejudgment by the Department of Member Regulation, the CRO, the Exchange Board of Directors, or any member of the Exchange Board of Directors, in connection with such person's or body's participation in discussions regarding the terms and conditions of the Department of Member Regulation's recommendation or the supervisory plan, or other consideration of the recommendation or supervisory plan, including acceptance or rejection of such recommendation or supervisory plan; and

(C) any right of the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person to claim that a person violated the ex parte prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the recommendation or supervisory plan, or other consideration of



the recommendation or supervisory plan, including acceptance or rejection of such recommendation or supervisory plan.

(2) If a recommendation or supervisory plan is rejected, the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person shall be bound by the waivers made under paragraph (a)(1) for conduct by persons or bodies occurring during the period beginning on the date the supervisory plan was submitted and ending upon the rejection of the supervisory plan and shall have the right to proceed under this rule and Rule 10.9524, as applicable.

(3) If the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person execute the letter consenting to the supervisory plan, it shall be submitted to the CRO by the Department of Member Regulation with a proposed Notice under SEA Rule 19h-1, where required. The CRO may accept or reject the recommendation of the Department of Member Regulation and the supervisory plan.

(4) If the recommendation and supervisory plan is accepted by the CRO, it shall be deemed final and, where required, the proposed Notice under Exchange Act Rule 19h-1 will be filed by the Exchange. If the recommendation and supervisory plan are rejected by the CRO, the Exchange may take any other appropriate action with respect to the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person. If the recommendation and supervisory plan are rejected, the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person shall not be prejudiced by the execution of the letter consenting to the supervisory plan under this paragraph (a) and the letter may not be introduced into evidence in any proceeding.

**(b)** With respect to disqualifications arising solely from findings or orders specified in Section 15(b)(4)(D), (E) or (H) of the Exchange Act or arising under Section 3(a)(39)(E) of the Exchange Act, after an application is filed, in approving an application under Rule 10.9522(e)(2)(F), the Department of Member Regulation is authorized to accept the membership or continued membership of a disqualified ETP Holder or sponsoring ETP Holder or the association or continuing association of a disqualified person pursuant to a supervisory plan where the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified persons, as the case may be, consent to the imposition of the supervisory plan. The disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person, as the case may be, shall execute a letter consenting to the imposition of the supervisory plan. The Department of Member Regulation shall prepare a proposed Notice under Exchange Act Rule 19h-1, where required, and the Exchange shall file such Notice.

(1) If a disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person submitted an executed letter consenting to a

supervisory plan, by the submission of such letter, the disqualified ETP Holder, sponsoring ETP Holder and/or disqualified person waive:

(A) the right of appeal to the Exchange Board of Directors, the SEC, and the courts, or otherwise challenge the validity of the supervisory plan, if the supervisory plan is accepted;

(B) any right of the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person to claim bias or prejudice by the Department of Member Regulation or the CRO in connection with such person's or body's participation in discussions regarding the terms and conditions of the Department of Member Regulation's recommended supervisory plan, or other consideration of the supervisory plan, including acceptance or rejection of such recommendation or supervisory plan; and

(C) any right of the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person to claim that a person violated the ex parte prohibitions of Rule 10.9143 or the separation of functions prohibitions of Rule 10.9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of the supervisory plan, or other consideration of the supervisory plan, including acceptance or rejection of such supervisory plan.

(2) If the supervisory plan is rejected, the disqualified ETP Holder, sponsoring ETP Holder, and/or disqualified person shall be bound by the waivers made under paragraph (b)(1) for conduct by persons or bodies occurring during the period beginning on the date the supervisory plan was submitted and ending upon the rejection of the supervisory plan and shall have the right to proceed under Rule 10.9524.

#### **Rule 10.9524. Exchange Board of Directors Consideration**

##### **(a) Request for Review**

A disqualified ETP Holder, sponsoring ETP Holder, or applicant may request that the Exchange Board of Directors review a decision to reject a supervisory plan under Rule 10.9523. A request for review shall be made by filing with the Secretary of the Exchange a written request therefor, which states the basis and reasons for such review, within 25 days after notice of the decision is served. The Secretary of the Exchange shall give notice of any such request for review to the CRO and the Department of Member Regulation.

### **(b) Review by Exchange Board of Directors**

Any review by the Exchange Board of Directors shall be based on oral arguments and written briefs and shall be limited to consideration of the record before the Department of Member Regulation and the CRO. Upon review, the Exchange Board of Directors, by the affirmative vote of a majority of the Exchange Board of Directors then in office, may sustain, modify, or reverse any such decision. Unless the Exchange Board of Directors otherwise specifically directs, the decision of the Exchange Board of Directors after review shall be final and conclusive subject to the provisions for review of the Exchange Act.

### **(c) Remand**

Notwithstanding the foregoing, if either Party upon review applies to the Exchange Board of Directors for leave to adduce additional evidence, and shows to the satisfaction of the Exchange Board of Directors that the additional evidence is material and that there was reasonable ground for failure to adduce it previously, the Exchange Board of Directors may remand the matter for further proceedings, in whatever manner and on whatever conditions the Exchange Board of Directors considers appropriate.

**Rule 10.9525. Reserved.**

**Rule 10.9526. Reserved.**

### **Rule 10.9527. Application to SEC for Review**

The right to have any action taken pursuant to this Rule Series reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of final action by the Exchange, unless the SEC otherwise orders.

**Rule 10.9550. Expedited Proceedings**

**Rule 10.9551. Failure to Comply with Public Communication Standards**

#### **(a) Notice of Pre-Use Filing Requirement**

Pursuant to Rule 11.2210, Regulatory Staff may issue a written notice requiring an ETP Holder to file communications with the FINRA's Advertising Regulation Department at least ten days prior to use if Regulatory Staff determines that the ETP Holder has departed from the standards of Rule 11.2210.

#### **(b) Service of Notice of Pre-Use Filing Requirement**

Except as provided below, Regulatory Staff shall serve the ETP Holder (or counsel representing the ETP Holder or other person authorized to represent others under Rule

10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder) with such notice in accordance with Rule 10.9134 or by email. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on counsel for an ETP Holder, or other person authorized to represent others under Rule 10.9141, by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. Service is complete upon sending the notice by email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail, sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

**(c) Contents of Notice**

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 10.8310(a) and 10.9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

**(d) Effective Date of Notice of Pre-Use Filing Requirement**

Pursuant to Rule 11.2210, the pre-use filing requirement referenced in a notice issued and served under this Rule shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 10.9559.

**(e) Request for Hearing**

An ETP Holder served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

**(f) Failure to Request Hearing**

If an ETP Holder does not timely request a hearing, the pre-use filing requirements specified in the notice shall become effective 21 days after service of the notice and the

notice shall constitute final Exchange action.

(g) Request for Modification or Termination of Pre-Use Filing Requirement

An ETP Holder that is subject to a pre-use filing requirement under this Rule may file a written request for modification or termination of the requirement. Such request shall be filed with the head of the Exchange department or office that issued the notice or, if another Exchange department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange department or office that is so designated. The head of the appropriate department or office may grant relief for good cause shown.

**Rule 10.9552. Failure to Provide Information or Keep Information Current**

**(a) Notice of Suspension of an ETP Holder or Associated Person if Corrective Action is Not Taken**

If an ETP Holder or Associated Person fails to provide any information, report, material, data, or testimony requested or required to be filed pursuant to the Exchange's Rules, or fails to keep its ETP application or supporting documents current, Regulatory Staff may provide written notice to such ETP Holder or Associated Person specifying the nature of the failure and stating that the failure to take corrective action within 21 days after service of the notice will result in suspension of the ETP of the ETP Holder or of association of the Associated Person with any ETP Holder.

**(b) Service of Notice of Suspension**

Except as provided below, Regulatory Staff shall serve the ETP Holder or Associated Person (or counsel representing the ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder or Associated Person) with such notice in accordance with Rule 10.9134 or by email. A copy of a notice under this Rule that is served on a Person Associated with an ETP Holder also shall be served on such ETP Holder. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on a person by email shall be sent to the person's last known email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 10.9134. Papers served on counsel for an ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. Service is complete upon sending the notice by email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail,

sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

**(c) Contents of Notice**

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 10.8310(a) and 10.9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

**(d) Effective Date of Suspension**

The suspension referenced in a notice issued and served under this Rule shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 10.9559.

**(e) Request for Hearing**

An ETP Holder or Associated Person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

**(f) Request for Termination of the Suspension**

An ETP Holder or Associated Person subject to a suspension pursuant to this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange department or office that issued the notice or, if another Exchange department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the Exchange department or office that is so designated. The head of the appropriate department or office may grant relief for good cause shown.

**(g) Settlement Procedure**

Uncontested offers of settlement shall be permitted under this Rule and shall conform to the requirements of Rule 10.9270, except that, if an uncontested offer of settlement, made under Rule 10.9270(e) after a hearing on the merits has begun, is accepted by the Hearing

Officer, the Hearing Officer shall issue the order of acceptance, which shall constitute final Exchange action. Contested offers of settlement shall not be considered in proceedings initiated under this Rule.

**(h) Defaults**

An ETP Holder or Associated Person who is suspended under this Rule and fails to request termination of the suspension within three months of issuance of the original notice of suspension will automatically be expelled or barred.

**Rule 10.9553. Reserved.**

**Rule 10.9554. Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution**

**(a) Notice of Suspension or Cancellation**

If an ETP Holder or Associated Person fails to comply with an arbitration award or a settlement agreement related to an arbitration or mediation under the Exchange's Rules, or an Exchange order of restitution or Exchange settlement agreement providing for restitution, Regulatory Staff may provide written notice to such ETP Holder or Associated Person stating that the failure to comply within 21 days of service of the notice will result in a suspension or cancellation of the ETP or a suspension from associating with any ETP Holder. When an ETP Holder or Associated Person fails to comply with an arbitration award or a settlement agreement related to an arbitration or mediation involving a customer, a claim of inability to pay is no defense.

**(b) Service of Notice of Suspension or Cancellation**

Except as provided below, Regulatory Staff shall serve the ETP Holder or Associated Person (or counsel representing the ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder or Associated Person) with such notice in accordance with Rule 10.9134 or by email. A copy of a notice under this Rule that is served on a Person Associated with an ETP Holder also shall be served on such ETP Holder. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on a person by email shall be sent to the person's last known email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 10.9134. Papers served on counsel for an ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. Service

is complete upon sending the notice by email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail, sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

**(c) Contents of Notice**

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 10.8310(a) and 10.9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

**(d) Effective Date of Suspension or Cancellation**

The suspension or cancellation referenced in a notice issued and served under this Rule shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 10.9559.

**(e) Request for Hearing**

An ETP Holder or Associated Person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

**(f) Failure to Request Hearing**

If an ETP Holder or Associated Person does not timely request a hearing, the suspension or cancellation specified in the notice shall become effective 21 days after the service of the notice and the notice shall constitute final Exchange action.

**(g) Request for Termination of the Suspension**

An ETP Holder or Associated Person subject to a suspension under this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange department or office that issued the notice or, if another department or office is named as the party handling the matter on behalf of the issuing department or office, with the head



of the department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

**Rule 10.9555. Failure to Meet the Eligibility or Qualification Standards or Prerequisites for Access to Services**

**(a) Notice to ETP Holder or Associated Person of Suspension, Cancellation, Bar, or Limitation or Prohibition on Access to Services**

(1) If an ETP Holder or Associated Person does not meet the eligibility or qualification standards set forth in the Exchange's Rules, Exchange staff may provide written notice to such ETP Holder or Associated Person stating that the failure to become eligible or qualified will result in a suspension or cancellation of an ETP or a suspension or bar from associating with any ETP Holder.

(2) If an ETP Holder or Associated Person does not meet the prerequisites for access to services offered by the Exchange or an ETP Holder thereof or cannot be permitted to continue to have access to services offered by the Exchange or an ETP Holder thereof with safety to investors, creditors, ETP Holder, or the Exchange, Exchange staff may provide written notice to such ETP Holder or Associated Person limiting or prohibiting access to services offered by the Exchange or an ETP Holder thereof.

**(b) Service of Notice**

Except as provided below, Exchange staff shall serve the ETP Holder or Associated Person (or counsel representing the ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder or Associated Person) with such notice in accordance with Rule 10.9134 or by email. A copy of a notice under this Rule that is served on a Person Associated with an ETP Holder also shall be served on such ETP Holder. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on a person by email shall be sent to the person's last known email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 10.9134. Papers served on counsel for an ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. Service is complete upon sending the notice by email, mailing the notice by U.S. Postal Service first class mail, first class certified mail, first class registered mail, or Express Mail,

sending the notice through a courier service, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete.

**(c) Contents of Notice**

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 10.8310(a) and 10.9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

**(d) Effective Date of Limitation, Prohibition, Suspension, Cancellation or Bar**

The limitation, prohibition, suspension, cancellation or bar referenced in a notice issued under this Rule shall become effective 14 days after service of the notice, except that the effective date for a notice of a limitation or prohibition on access to services offered by the Exchange or an ETP Holder thereof with respect to services to which the ETP Holder or Associated Person does not have access shall be upon service of the notice. A request for a hearing, pursuant to Rule 10.9559, shall stay the effectiveness of the notice, except that the effectiveness of a notice of a limitation or prohibition on access to services offered by the Exchange or an ETP Holder thereof with respect to services to which the ETP Holder or Associated Person does not have access shall not be stayed by a request for a hearing.

**(e) Request for Hearing**

An ETP Holder or Associated Person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559. A request for a hearing shall be made within 14 days after service of the notice. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

**(f) Failure to Request Hearing**

If an ETP Holder or Associated Person does not timely request a hearing, the limitation, prohibition, suspension, cancellation or bar specified in the notice shall become effective 14 days after service of the notice, except that the effective date for a notice of a limitation or prohibition on access to services offered by the Exchange or an ETP Holder thereof with respect to services to which the ETP Holder or Associated Person does not have access shall be upon service of the notice. The notice shall constitute final Exchange

action if the ETP Holder or Associated Person does not request a hearing within 14 days after service of the notice.

**(g) Request for Termination of the Limitation, Prohibition or Suspension**

An ETP Holder or Associated Person subject to a limitation, prohibition or suspension under this Rule may file a written request for termination of the limitation, prohibition or suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange department or office that issued the notice or, if another department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

**Rule 10.9556. Failure to Comply with Temporary and Permanent Cease and Desist Orders**

**(a) Notice of Suspension, Cancellation or Bar**

If an ETP Holder or Associated Person fails to comply with a temporary or permanent cease and desist order issued under the Rule 10.9200, 10.9300 or 10.9800 Series, Regulatory Staff, after receiving written authorization from the Exchange's CRO or such other senior officer as the CRO may designate, may issue a notice to such ETP Holder or Associated Person stating that the failure to comply with the temporary or permanent cease and desist order within seven days of service of the notice will result in a suspension or cancellation of an ETP or a suspension or bar from associating with any ETP Holder.

**(b) Service of Notice**

Regulatory Staff shall serve the ETP Holder or Associated Person subject to a notice issued under this Rule (or upon counsel representing the ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder or Associated Person) by email, overnight courier or personal delivery. Papers served on an ETP Holder, Associated Person or counsel for such ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141 by overnight courier or personal delivery shall conform to paragraphs (a)(1) and (3) and, with respect to an ETP Holder or Associated Person, (b)(1) and (2) of Rule 10.9134. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on a person by email shall be sent to the person's last known email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 10.9134. Papers served on counsel for an ETP Holder or Associated Person, or other person authorized to represent others under

Rule 10.9141 by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. A copy of a notice under this Rule that is served on an Associated Person associated with an ETP Holder also shall be served on such ETP Holder. Service is complete upon sending the notice by email or overnight courier or delivering it in person, except that, where duplicate service is required, service is complete upon sending the duplicate service.

**(c) Contents of Notice**

The notice shall explicitly identify the provision of the permanent or temporary cease and desist order that is alleged to have been violated and shall contain a statement of facts specifying the alleged violation. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 10.8310(a) and 10.9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

**(d) Effective Date of Suspension, Cancellation or Bar**

The suspension, cancellation or bar referenced in a notice issued and served under this Rule shall become effective seven days after service of the notice, unless stayed by a request for a hearing pursuant to Rule 10.9559.

**(e) Request for a Hearing**

An ETP Holder or Associated Person served with a notice under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559. A request for a hearing shall be made before the effective date of the notice, as indicated in paragraph (d) of this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

**(f) Failure to Request Hearing**

If an ETP Holder or Associated Person does not timely request a hearing, the suspension, cancellation or bar specified in the notice shall become effective seven days after the service of the notice and the notice shall constitute final Exchange action.

**(g) Request for Termination of the Suspension**

An ETP Holder or Associated Person subject to a suspension imposed after the process described in paragraphs (a) through (f) of this Rule may file a written request for termination of the suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange department or office that issued the notice or, if another department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

#### **(h) Subsequent Proceedings**

If an ETP Holder or Associated Person fails to comply with a temporary or permanent cease and desist order issued under the Rule 10.9200, 10.9300, or 10.9800 Series, and has previously been served under paragraph (a) of this Rule with a notice for a failure to comply with any provision of the same temporary or permanent cease and desist order, Regulatory Staff, after receiving written authorization from the CRO, may file a petition with the Office of Hearing Officers seeking a hearing pursuant to Rule 10.9559 and the imposition of any fitting sanctions for such ETP Holder's or Associated Person's failure to comply with the temporary or permanent cease and desist order.

- (1) The petition shall be served in accordance with paragraph (b) of this Rule, and it shall be filed with the Office of Hearing Officers.
- (2) The petition shall explicitly identify the provision of the permanent or temporary cease and desist order that is alleged to have been violated, contain a statement of facts specifying the alleged violation, describe with particularity the sanctions that Regulatory Staff seeks to have imposed, and note that a hearing under Rule 10.9559 is requested. Regulatory Staff may seek the imposition of any fitting sanction.
- (3) Upon the filing of the petition, Rule 10.9559 shall govern the proceeding. Respondent's full compliance with the temporary or permanent cease and desist order is not a ground for dismissing a proceeding brought pursuant to this paragraph (h).
- (4) After having filed the petition, Regulatory Staff can withdraw it without prejudice and shall be permitted to refile a petition based on allegations concerning the same facts and circumstances that are set forth in the withdrawn petition.

#### **Rule 10.9557. Procedures for Regulating Activities Under Exchange Act Rule 15c3-1**

##### **(a) Notice of Requirements and/or Restrictions; Exchange Action**

Exchange staff may issue a notice directing an ETP Holder to comply with the provisions of Exchange Act Rule 15c3-1. A notice served under this Rule shall constitute Exchange action.

(b) Service of Notice

Exchange staff shall serve the ETP Holder subject to a notice issued under this Rule (or counsel representing the ETP Holder, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder) by email, overnight courier or personal delivery. Papers served by overnight courier or personal delivery shall conform to paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on counsel for an ETP Holder, or other person authorized to represent others under Rule 10.9141 by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. Service is complete upon sending the notice by email or overnight courier or delivering it in person, except that, where duplicate service is required, service is complete upon sending the duplicate service.

(c) Contents of Notice

A notice issued under this Rule shall:

- (1) state the specific grounds and include the factual basis for the Exchange action;
- (2) specify the date of the notice and the requirements and/or restrictions being imposed by the notice;
- (3) state that the requirements and/or restrictions imposed by the notice are immediately effective;
- (4) specify the conditions for complying with and, where applicable, avoiding or terminating the requirements and/or restrictions imposed by the notice;
- (5) inform the ETP Holder that, pursuant to paragraph (f) of this Rule, the failure to comply with the requirements and/or restrictions imposed by an effective notice under this Rule shall be deemed, without further notice from Exchange staff, to result in automatic and immediate suspension unless Exchange staff issues a letter of withdrawal of all requirements and/or restrictions imposed by the notice pursuant to paragraph (g)(2) of this Rule;
- (6) explain that the ETP Holder may make a request for a letter of withdrawal of the notice pursuant to paragraph (e) of this Rule;

(7) state that, in addition to making a request for a letter of withdrawal of the notice, the ETP Holder may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559;

(8) inform the ETP Holder of the applicable deadline for filing a request for a hearing and state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action; and

(9) explain that, pursuant to Rule 10.9559(n), a Hearing Panel may approve or withdraw the requirements and/or restrictions imposed by the notice, and that if the Hearing Panel approves the requirements and/or restrictions imposed by the notice and finds that the ETP Holder has not complied with all of them, the Hearing Panel shall impose an immediate suspension on the ETP Holder.

(d) Effectiveness of the Requirements and/or Restrictions

The requirements and/or restrictions imposed by a notice issued and served under this Rule are immediately effective, except that a timely request for a hearing shall stay the effective date for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 10.9559(o)(4)(A) (whichever period is less), unless the Exchange's CRO (or such other senior officer as the CRO may designate) determines that such a stay cannot be permitted with safety to investors, creditors or other ETP Holders. Such a determination by the Exchange's CRO (or such other senior officer as the CRO may designate) cannot be appealed. An extension of the stay period is not permitted. Where a timely request for a hearing stays the action for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 10.9559(o)(4)(A) (whichever period is less), the notice shall not be deemed to have taken effect during that entire period.

Any requirements and/or restrictions imposed by an effective notice shall remain in effect unless Exchange staff shall remove or reduce the requirements and/or restrictions pursuant to a letter of withdrawal of the notice issued as set forth in paragraph (g)(2) of this Rule.

(e) Request for a Letter of Withdrawal of the Notice; Request for a Hearing

An ETP Holder served with a notice under this Rule may request from Exchange staff a letter of withdrawal of the notice pursuant to paragraph (g)(2) of this Rule and/or file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559.

(1) A request for a letter of withdrawal of the notice may be made at any time after service of a notice under this Rule. The ETP Holder making the request must demonstrate to the satisfaction of Exchange staff that the requirements and/or restrictions imposed by the notice should be removed or reduced. If such a request is denied by Exchange staff, the ETP Holder shall not be precluded from making a subsequent request or requests.

(2) A request for a hearing shall be made within two business days after service of a notice under this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action. A request for a hearing may seek to contest:

(A) the validity of the requirements and/or restrictions imposed by the notice (as the same may have been reduced by a letter of withdrawal pursuant to paragraph (g)(2) of this Rule, where applicable); and/or

(B) Exchange staff's determination not to issue a letter of withdrawal of all requirements and/or restrictions imposed by the notice, if such was requested by the ETP Holder.

(f) Enforcement of Notice

An ETP Holder that has failed to comply with the requirements and/or restrictions imposed by an effective notice under this Rule shall be deemed, without further notice from Exchange staff, automatically and immediately suspended. Such suspension shall remain in effect unless Exchange staff shall issue a letter, pursuant to paragraph (g)(2) of this Rule, stating that the suspension is lifted.

(g) Additional Requirements and/or Restrictions or the Removal or Reduction of Requirements and/or Restrictions; Letter of Withdrawal of the Notice

(1) Additional Requirements and/or Restrictions

If an ETP Holder continues to violate the provisions of Exchange Act Rule 15c3-1, notwithstanding an effective notice, Exchange staff may impose additional requirements and/or restrictions by serving an additional notice under paragraph (b) of this Rule. The additional notice shall inform the ETP Holder that it may apply for relief from the additional requirements and/or restrictions by filing a written request for a letter of withdrawal of the notice and/or a written request for a hearing before the Office of Hearing Officers under Rule 10.9559. The procedures delineated in this Rule shall be applicable to such additional notice.

(2) Removal or Reduction of Requirements and/or Restrictions and/or Lifting of Suspension; Letter of Withdrawal

(A) Removal or Reduction of Requirements and/or Restrictions

If, upon the ETP Holder's demonstration to the satisfaction of Exchange staff, Exchange staff determines that any requirements and/or restrictions imposed by a notice under this Rule should be removed or reduced, Exchange staff shall serve the ETP Holder, pursuant to paragraph (b) of this Rule, a written letter of withdrawal that shall, in the sole discretion of Exchange staff, withdraw the notice in whole or in part. A notice that is withdrawn in part shall remain in force, unless Exchange staff shall remove the remaining requirements and/or restrictions.



## (B) Lifting of Suspension

If, upon the ETP Holder's demonstration to the satisfaction of Exchange staff, Exchange staff determines that a suspension imposed by a notice under this Rule should be lifted, Exchange staff shall serve the ETP Holder, pursuant to paragraph (b) of this Rule, a letter that shall, in the sole discretion of Exchange staff, lift the suspension. Where all or some of the requirements and/or restrictions imposed by a notice issued under this Rule remain in force, the letter shall state that the ETP Holder's failure to continue to comply with those requirements and/or restrictions that remain effective shall result in the ETP Holder being immediately suspended.

## (h) Exchange Staff

For purposes of this Rule, "Exchange staff" shall mean:

- (1) the head of the Exchange department or office that issued the notice, or his or her written officer delegate; or
- (2) if another department or office is named as the party handling the matter on behalf of the issuing department or office, the head of the department or office that is so designated, or his or her written officer delegate.

## **Rule 10.9558. Summary Proceedings for Actions Authorized by Section 6(d)(3) of the Exchange Act**

### (a) Notice of Initiation of Summary Proceedings

The Exchange's CRO or such other senior officer as the CRO may designate may provide written authorization to Exchange staff to issue on a case-by-case basis a written notice that summarily:

- (1) suspends an ETP Holder or Associated Person who has been and is expelled or suspended from any self-regulatory organization or barred or suspended from being associated with an ETP Holder of any self-regulatory organization;
- (2) suspends an ETP Holder that is in such financial or operating difficulty that Exchange staff determines and so notifies the SEC that the ETP Holder cannot be permitted to continue to do business as an ETP Holder with safety to investors, creditors, other ETP Holders, or the Exchange; or
- (3) limits or prohibits any person with respect to access to services offered by the Exchange if paragraphs (a)(1) or (2) of this Rule or the provisions of Section 6(d)(3) of the Exchange Act applies to such person or, in the case of a person who is not an ETP Holder or

Associated Person, if the Exchange's CRO or such other senior officer as the CRO may designate determines that such person does not meet the qualification requirements or other prerequisites for such access and such person cannot be permitted to continue to have such access with safety to investors, creditors, ETP Holders, or the Exchange, and so notifies the SEC.

**(b) Service of Notice**

Exchange staff shall serve the ETP Holder or Associated Person or other person subject to a notice issued under this Rule (or counsel representing the ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the ETP Holder or Associated Person) by email, overnight courier or personal delivery. Papers served by overnight courier or personal delivery shall conform to paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on an ETP Holder by email shall be sent to the email address on file with the Exchange staff and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) and (2) of Rule 10.9134. Papers served on a person by email shall be sent to the person's last known email address and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) and (b)(1) of Rule 10.9134. Papers served on counsel for an ETP Holder or Associated Person, or other person authorized to represent others under Rule 10.9141 by email shall be sent to the email address that counsel or other person authorized to represent others under Rule 10.9141 provides and shall also be served by either overnight courier or personal delivery in conformity with paragraphs (a)(1) and (3) of Rule 10.9134. A copy of a notice under this Rule that is served on an Associated Person associated with an ETP Holder also shall be served on such ETP Holder. Service is complete upon sending the notice by email or overnight courier or delivering it in person, except that, where duplicate service is required, service is complete upon sending the duplicate service.

**(c) Contents of Notice**

A notice issued under this Rule shall state the specific grounds and include the factual basis for the Exchange action. The notice shall state when the Exchange action will take effect and explain what the respondent must do to avoid such action. The notice shall state that the respondent may file a written request for a hearing with the Office of Hearing Officers pursuant to Rule 10.9559. The notice also shall inform the respondent of the applicable deadline for filing a request for a hearing and shall state that a request for a hearing must set forth with specificity any and all defenses to the Exchange action. In addition, the notice shall explain that, pursuant to Rules 10.8310(a) and 10.9559(n), a Hearing Officer or, if applicable, Hearing Panel, may approve, modify or withdraw any and all sanctions or limitations imposed by the notice, and may impose any other fitting sanction.

**(d) Effective Date of Limitation, Prohibition or Suspension**

The limitation, prohibition or suspension referenced in a notice issued and served under this Rule is immediately effective. The limitation, prohibition or suspension specified in the notice shall remain in effect unless, after a timely written request for a hearing and written request for a stay, the Chief Hearing Officer or Hearing Officer assigned to the matter finds good cause exists to stay the limitation, prohibition or suspension.

**(e) Request for a Hearing and Stay**

An ETP Holder or Associated Person or other person subject to a notice issued under this Rule may file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 10.9559. A request for a hearing shall be made within seven days after service of the notice issued under this Rule. A request for a hearing must set forth with specificity any and all defenses to the Exchange action.

An ETP Holder or Associated Person or other person subject to a notice issued under this Rule may, concurrent with or after filing a request for a hearing, file with the Office of Hearing Officers a written request for a stay of the limitation, prohibition or suspension specified in the notice. A request for a stay must set forth with specificity any and all relevant facts and arguments supporting the request for a stay.

**(f) Failure to Request Hearing**

If an ETP Holder or Associated Person or other person subject to a notice issued under this Rule does not timely request a hearing within the time period specified in paragraph (e) of this Rule, the notice shall constitute final Exchange action.

**(g) Request for Termination of the Limitation, Prohibition or Suspension**

An ETP Holder or Associated Person or other person subject to a limitation, prohibition or suspension under this Rule may file a written request for termination of the limitation, prohibition or suspension on the ground of full compliance with the notice or decision. Such request shall be filed with the head of the Exchange department or office that issued the notice or, if another department or office is named as the party handling the matter on behalf of the issuing department or office, with the head of the department or office that is so designated. The appropriate head of the department or office may grant relief for good cause shown.

**Rule 10.9559. Hearing Procedures for Expedited Proceedings Under the Rule 10.9550 Series**

**(a) Applicability**

The hearing procedures under this Rule shall apply to an ETP Holder, Associated Person or other person who is served with a notice issued under the Rule 10.9550 Series and who timely requests a hearing or who is served with a petition instituting an expedited

proceeding under Rule 10.9556(h). For purposes of this Rule, such ETP Holders, Associated Persons or other persons shall be referred to as respondents.

**(b) Computation of Time**

Rule 10.9138 shall govern the computation of time in proceedings brought under the Rule 10.9550 Series, except that intermediate Saturdays, Sundays and Federal holidays shall be included in the computation in proceedings brought under Rules 10.9556 through 10.9558, unless otherwise specified.

**(c) Stays**

(1) Unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown, a timely request for a hearing shall stay the effectiveness of a notice issued under Rules 10.9552 through 10.9556, except that: (A) the effectiveness of a notice of a limitation or prohibition on access to services offered by the Exchange or an ETP Holder thereof under Rule 10.9555 with respect to services to which the ETP Holder, Associated Person or other person does not have access shall not be stayed by a request for a hearing; and (B) this paragraph has no applicability to a petition instituting an expedited proceeding under Rule 10.9556(h).

(2) A timely request for a hearing shall stay the effectiveness of a notice issued under Rule 10.9557 for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 10.9559(o)(4)(A) (whichever period is less), unless the Exchange's CRO (or such other senior officer as the CRO may designate) determines that a notice under Rule 10.9557 shall not be stayed. Where a notice under Rule 10.9557 is stayed by a request for a hearing, such stay shall remain in effect only for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 10.9559(o)(4)(A) (whichever period is less) and shall not be extended.

(3) A timely request for a hearing shall not stay the effectiveness of a notice issued under Rule 10.9558, unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown.

**(d) Appointment and Authority of Hearing Officer and/or Hearing Panel**

(1) For proceedings initiated under Rules 10.9554 and 10.9556(h), the Chief Hearing Officer shall appoint a Hearing Officer to preside over and act as the sole adjudicator for the matter.

(2) For proceedings initiated under Rules 10.9552, 10.9555, 10.9556 (except Rule 10.9556(h)), 10.9557 and 10.9558, the Chief Hearing Officer shall appoint a Hearing Panel composed of a Hearing Officer and two Panelists. The Hearing Officer shall serve as the chair of the Hearing Panel. For proceedings initiated under Rules 10.9552, 10.9555, 10.9556 (except Rule 10.9556(h)), 10.9557 and 10.9558, the Chief Hearing Officer shall select as Panelists persons who meet the qualifications delineated in Rules 10.9231 and 10.9232.

(3) Rules 10.9231(e), 10.9233 and 10.9234 shall govern disqualification, recusal or withdrawal of a Hearing Officer or, if applicable, Hearing Panelist.

(4) A Hearing Officer appointed pursuant to this provision shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth under Rules 10.9235 and 10.9280.

(5) Hearings under the Rule 10.9550 Series shall be held by telephone conference, unless the Hearing Officer orders otherwise for good cause shown.

(6) For good cause shown, or with the consent of all of the parties to a proceeding, the Hearing Officer or, if applicable, the Hearing Panel may extend or shorten any time limits prescribed by this Rule other than those relating to Rule 10.9557.

#### **(e) Consolidation or Severance of Proceedings**

Rule 10.9214 shall govern the consolidation or severance of proceedings, except that, where one of the notices that are the subject of consolidation under this Rule requires that a hearing be held before a Hearing Panel, the hearing of the consolidated matters shall be held before a Hearing Panel. Where two consolidated matters contain different timelines under this Rule, the Chief Hearing Officer or Hearing Officer assigned to the matter has discretion to determine which timeline is appropriate under the facts and circumstances of the case. Where one of the consolidated matters includes an action brought under a Rule that does not permit a stay of the effectiveness of the notice or where Exchange's CRO (or such other senior officer as the CRO may designate), in the case of Rule 10.9557, or the Hearing Officer, in the case of Rule 10.9558(d), determines that a request for a hearing shall not stay the effectiveness of the notice, the limitation, prohibition, condition, requirement, restriction, or suspension specified in the notice shall not be stayed pending resolution of the case. Where one of the consolidated matters includes an action brought under Rule 10.9557 that is stayed for up to ten business days, the requirement and/or restriction specified in the notice shall not be further stayed.

#### **(f) Time of Hearing**

(1) A hearing shall be held within five business days after a respondent subject to a notice issued under Rule 10.9557 files a written request for a hearing with the Office of Hearing Officers.

(2) A hearing shall be held within ten days after a respondent is served a petition seeking an expedited proceeding issued under Rule 10.9556(h).

(3) A hearing shall be held within 14 days after a respondent subject to a notice issued under Rules 10.9556 (except Rule 10.9556(h)) and 10.9558 files a written request for a hearing with the Office of Hearing Officers.

(4) A hearing shall be held within 30 days after a respondent subject to a notice issued under Rules 10.9552 through 10.9555 files a written request for a hearing with the Office of Hearing Officers.

(5) The timelines established by paragraphs (f)(1) through (f)(4) confer no substantive rights on the parties.

**(g) Notice of Hearing**

The Hearing Officer shall issue a notice stating the date, time, and place of the hearing as follows:

(1) At least two business days prior to the hearing in the case of an action brought pursuant to Rule 10.9557;

(2) At least six days prior to the hearing in the case of an action brought pursuant to Rule 10.9556(h);

(3) At least seven days prior to the hearing in the case of an action brought pursuant to Rules 10.9556 (except Rule 10.9556(h)) and 10.9558; and

(4) At least 21 days prior to the hearing in the case of an action brought pursuant to Rules 10.9552 through 10.9555.

**(h) Transmission of Documents**

(1) Not less than two business days before the hearing in an action brought under Rule 10.9557, not less than six days before the hearing in an action brought under Rule 10.9556(h), not less than seven days before the hearing in an action brought under Rules 10.9556 (except Rule 10.9556(h)) and 10.9558, and not less than 14 days before the hearing in an action brought under Rules 10.9552 through 10.9555,

Exchange staff shall provide to the respondent who requested the hearing or the respondent who has received a petition pursuant to Rule 10.9556(h), by email, overnight courier or personal delivery, all documents that were considered in issuing the notice unless a document meets the criteria of Rule 10.9251(b)(1)(A), (B), (C) or (b)(2). Documents served by email shall also be served by either overnight courier or personal delivery. A document that meets the criteria in this paragraph shall not constitute part of the record, but shall be retained until the date upon which the Exchange's final decision is served or, if applicable, upon the conclusion of any review by the SEC or the federal courts.

(2) Not less than two business days before the hearing in an action brought under Rule 10.9557, not less than three days before the hearing in an action brought under Rules 10.9556 and 10.9558, and not less than seven days before the hearing in an action brought under Rules 10.9552 through 10.9555, the parties shall exchange proposed exhibit and witness lists. The exhibit and witness lists shall be served by email, overnight courier or personal delivery. Documents served by email shall also be served by either overnight courier or personal delivery.

**(i) Evidence**

Formal rules of evidence shall not apply to a hearing under this Rule Series. Rules 10.9262 and 10.9263 shall govern testimony and the admissibility of evidence.

**(j) Additional Information**

The Hearing Officer or, if applicable, the Hearing Panel may direct the Parties to submit additional information.

**(k) Record of Hearing**

Rule 10.9265 shall govern the requirements for the record of the hearing.

**(l) Record of Proceeding**

Rule 10.9267 shall govern the record of the proceeding.

**(m) Failure to Appear at a Pre-Hearing Conference or Hearing or to Comply with a Hearing Officer Order Requiring the Production of Information**

Failure of any respondent to appear before the Hearing Officer or, if applicable, the Hearing Panel at any status conference, pre-hearing conference or hearing, or to comply with any order of the Hearing Officer or, if applicable, Hearing Panel requiring

production of information to support any defense to the notice or petition that respondent has raised, shall be considered an abandonment of the respondent's defense and waiver of any opportunity for a hearing provided by the Rule 10.9550 Series. In such cases:

(1) The notice issued under the Rule 10.9550 Series shall be deemed to be final Exchange action. The Hearing Officer or, if applicable, the Hearing Panel may permit the hearing to go forward as to those parties who appear and otherwise comply with this Rule.

(2) The Hearing Officer may issue a default decision against a respondent who is the subject of a petition filed pursuant to Rule 10.9556(h) and may deem the allegations against that respondent admitted. The contents of a default decision shall conform to the content requirements of Rule 10.9559(p). A respondent may, for good cause shown, file a motion to set aside a default. Upon a showing of good cause, the Hearing Officer that entered the original order shall decide the motion. If the Hearing Officer is not available, the Chief Hearing Officer shall appoint another Hearing Officer to decide the motion. If a default decision is not called for review pursuant to Rule 10.9559(q), the default decision shall become the final Exchange action.

#### **(n) Sanctions, Costs and Remands**

(1) In any action brought under the Rule 10.9550 Series, other than an action brought under Rule 10.9556(h) or Rule 10.9557, the Hearing Officer or, if applicable, the Hearing Panel may approve, modify or withdraw any and all sanctions, requirements, restrictions or limitations imposed by the notice and, pursuant to Rule 10.8310(a), may also impose any other fitting sanction.

(2) In an action brought under Rule 10.9556(h), the Hearing Officer may impose any fitting sanction.

(3) In an action brought under Rule 10.9557, the Hearing Panel shall approve or withdraw the requirements and/or restrictions imposed by the notice. If the Hearing Panel approves the requirements and/or restrictions and finds that the respondent has not complied with all of them, the Hearing Panel shall impose an immediate suspension on the respondent that shall remain in effect unless Exchange staff issues a letter of withdrawal of all requirements and/or restrictions pursuant to Rule 10.9557(g)(2).

(4) The Hearing Officer or, if applicable, the Hearing Panel may impose costs pursuant to Rule 10.8330 regarding all actions brought under the Rule 10.9550 Series.

(5) In any action brought under the Rule 10.9550 Series, other than an action brought under Rule 10.9557, the Hearing Officer or, if applicable, the Hearing Panel may remand the matter to the



department or office that issued the notice for further consideration of specified matters.

**(o) Timing of Decision**

**(1) Proceedings initiated under Rule 10.9554**

Within 60 days of the date of the close of the hearing, the Hearing Officer shall prepare a proposed written decision and provide it to the Exchange Board of Directors.

**(2) Proceedings initiated under Rules 10.9556 and 10.9558**

Within 21 days of the date of the close of the hearing, the Hearing Officer shall prepare a proposed written decision that reflects the views of the Hearing Panel, as determined by majority vote, and provide it to the Exchange Board of Directors.

**(3) Proceedings initiated under Rules 10.9552 and 10.9555**

Within 60 days of the date of the close of the hearing, the Hearing Officer shall prepare a proposed written decision that reflects the views of the Hearing Panel, as determined by majority vote, and provide it to the Exchange Board of Directors.

**(4) Proceedings initiated under Rule 10.9557**

**(A) Written Order**

Within two business days of the date of the close of the hearing, the Office of Hearing Officers shall issue a written order that reflects the Hearing Panel's summary determinations, as decided by majority vote, and shall serve the Hearing Panel's written order on the Parties. The Hearing Panel's written order under Rule 10.9557 is effective when issued. The Hearing Panel's written order will be followed by a written decision explaining the reasons for the Hearing Panel's summary determinations, as required by paragraphs (o)(4)(B) and (p) of this Rule.

**(B) Written Decision**

Within seven days of the issuance of the Hearing Panel's written order, the Office of Hearing Officers shall issue a written decision that complies with the requirements of paragraph (p) of this Rule and shall serve the Hearing Panel's written decision on the Parties.

(5) If not timely called for review by the Exchange Board of Directors pursuant to paragraph (q) of this Rule, the Hearing Officer's or, if applicable, the Hearing Panel's written decision shall constitute final Exchange action. For decisions issued under Rules 10.9552 through 10.9556 and 10.9558, the Office of Hearing Officers shall promptly serve the decision of the Hearing Officer or, if applicable, the Hearing Panel on the Parties and provide a copy to each ETP Holder with which the respondent is associated.

(6) The timelines established by paragraphs (o)(1) through (5) confer no substantive rights on the parties.

**(p) Contents of Decision**

The decision, which for purposes of Rule 10.9557 means the written decision issued under paragraph (o)(4)(B) of this Rule, shall include:

- (1) a statement describing the investigative or other origin of the notice issued under the Rule 10.9550 Series;
- (2) the specific statutory or rule provision alleged to have been violated or providing the authority for the Exchange action;
- (3) a statement setting forth the findings of fact with respect to any act or practice the respondent was alleged to have committed or omitted or any condition specified in the notice;
- (4) the conclusions of the Hearing Officer or, if applicable, Hearing Panel regarding the alleged violation or condition specified in the notice;
- (5) a statement of the Hearing Officer or, if applicable, Hearing Panel in support of the disposition of the principal issues raised in the proceeding; and
- (6) a statement describing any sanction, requirement, restriction or limitation imposed, the reasons therefore, and the date upon which such sanction, requirement, restriction or limitation shall become effective.

**(q) Call for Review by the Exchange Board of Directors**

(1) For proceedings initiated under the Rule 10.9550 Series (other than Rule 10.9557), the Exchange Board of Directors may call for review a proposed decision prepared by a Hearing Officer or, if applicable, Hearing Panel in accordance with Rule 10.9310. For

proceedings initiated under Rule 10.9557, the Exchange Board of Directors may call for review a written decision issued under paragraph (o)(4)(B) of this Rule by a Hearing Panel in accordance with Rule 10.9310.

**(r) Application to SEC for Review**

The right to have any action pursuant to this Rule reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review by the SEC shall not stay the effectiveness of final Exchange action, unless the SEC otherwise orders.

**Rule 10.9560. Expedited Suspension Proceeding**

**(a) Initiation of Proceeding**

**(1) Scope of Authority**

With the prior written authorization of the Chief Regulatory Officer ("CRO") or such other senior officers as the CRO may designate, Enforcement may initiate an expedited suspension proceeding with respect to alleged violations of Rule 11.5220 (Disruptive Quoting and Trading Activity Prohibited).

**(2) Service of Notice**

Enforcement shall initiate the proceeding by serving a notice on an ETP Holder or Associated Person of an ETP Holder (hereinafter "Respondent"). Enforcement shall serve the notice by personal service or overnight commercial courier. The notice shall be effective upon service.

**(3) Content of Notice**

The notice shall state whether Enforcement is requesting the Respondent to be required to take action or to refrain from taking action. The notice shall be accompanied by:

- (A) a declaration of facts, signed by a person with knowledge of the facts contained therein, that specifies the acts that constitute the alleged violation; and
- (B) a proposed order that contains the required elements of a suspension order (except the date and hour of the order's issuance), which are set forth in sub-paragraph (d)(2) of this Rule).

**(b) Appointment of Hearing Officers and Hearing Panel**

**(1)** As soon as practicable after Enforcement initiates a suspension proceeding, a Hearing Panel shall be assigned in accordance with paragraphs (a) and (b) of Rule 10.9231.

(2) If at any time a Hearing Officer determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, or if a Party files a motion to disqualify a Hearing Officer, the recusal and disqualification proceeding shall be conducted in accordance with Rules 10.9233(a), except that:

(A) a motion seeking disqualification of a Hearing Officer must be filed no later than 5 days after the announcement of the Hearing Panel; and

(B) Enforcement may file a brief in opposition to the Respondent's motion no later than 5 days after service thereof.

**(c) Hearing**

(1) **When Held.** The hearing shall be held not later than 15 days after service of the notice initiating the suspension proceeding, unless otherwise extended by the Hearing Officer with the consent of the Parties for good cause shown. If a Hearing Officer is recused or disqualified, the hearing shall be held not later than five days after a replacement Hearing Officer is appointed.

(2) **Service of Notice of Hearing.** A notice of date, time, and place of the hearing shall be served on the Parties not later than seven days before the hearing, unless otherwise ordered by the Hearing Officer. Service shall be made by personal service or overnight commercial courier. The notice shall be effective upon service.

(3) **Authority of Hearing Officers.** A Hearing Officer shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth in Rules 10.9235 and 10.9280.

(4) **Witnesses.** A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

(5) **Additional Information.** At any time during its consideration, the Hearing Panel may direct a Party to submit additional information. Any additional information submitted shall be provided to all Parties at least one day before the Hearing Panel renders its decision.

(6) **Transcript.** The hearing shall be recorded by a court reporter and a written transcript thereof shall be prepared. A transcript of the hearing shall be available to the Parties for purchase from the court reporter at prescribed rates. A witness may purchase a copy of the transcript of his or her own testimony from the court reporter at prescribed rates. Proposed corrections to the transcript may be submitted by affidavit to the Hearing Panel within a reasonable time determined by the Hearing Panel. Upon notice to all the Parties to the proceeding, the Hearing Panel may order corrections to the transcript as requested or sua sponte.

**(7) Record and Evidence Not Admitted.** The record shall consist of the notice initiating the proceeding, the declaration, and the proposed order described in subparagraph (a)(3) above; the transcript of the hearing; all evidence considered by the Hearing Panel; and any other document or item accepted into the record by the Hearing Panel. Enforcement shall be the custodian of the record. Proffered evidence that is not accepted into the record by the Hearing Panel shall be retained by the custodian of the record until the date when the Exchange's decision becomes final or, if applicable, upon the conclusion of any review by the SEC or the federal courts.

**(8) Failure to Appear at a Hearing.** If a Respondent fails to appear at a hearing for which it has notice, the allegations in the notice and accompanying declaration may be deemed admitted, and the Hearing Panel may issue a suspension order without further proceedings. If Enforcement fails to appear at a hearing for which it has notice, the Hearing Panel may order that the suspension proceeding be dismissed.

**(d) Issuance of Suspension Order by Hearing Panel**

**(1) Basis for Issuance.** The Hearing Panel shall issue a written decision stating whether a suspension order shall be imposed. The Hearing Panel shall issue the decision not later than ten days after receipt of the hearing transcript, unless otherwise extended by the Hearing Officer with the consent of the Parties for good cause shown. A suspension order shall be imposed if the Hearing Panel finds:

(A) by a preponderance of the evidence that the alleged violation specified in the notice has occurred; and

(B) that the violative conduct or continuation thereof is likely to result in significant market disruption or other significant harm to investors.

**(2) Content, Scope, and Form of Order.** A suspension order shall:

(A) be limited to: (i) ordering a Respondent to cease and desist from violating Rule 11.5220, and/or (ii) ordering a Respondent to cease and desist from providing access to the Exchange to a client of Respondent that is causing violations of Rule 11.5220;

(B) set forth the alleged violation and the significant market disruption or other significant harm to investors that is likely to result without the issuance of an order;

(C) describe in reasonable detail the act or acts the Respondent is to take or refrain from taking and to suspend the Respondent unless and until such action is taken or refrained from; and

(D) include the date and hour of its issuance.

**(3) Duration of Order.** A suspension order shall remain effective and enforceable unless modified, set aside, limited, or revoked pursuant to paragraph (e), below.

**(4) Service.** The Hearing Panel's decision and any suspension order shall be served by personal service or overnight commercial courier. The suspension order shall be effective upon service.

**(e) Review by Hearing Panel**

At any time after the Respondent is served with a suspension order, a Party may apply to the Hearing Panel to have the order modified, set aside, limited, or revoked. The application shall set forth with specificity the facts that support the request. The opposing Party shall have an opportunity to respond to the request within a period of time set by the Hearing Officer. The Hearing Panel shall respond to the request in writing within ten days after receipt of the request, unless otherwise extended by the Hearing Officer with the consent of the Parties for good cause shown. The Hearing Panel's response shall be served on the Respondent via personal service or overnight commercial courier. The filing of an application under this Rule shall not stay the effectiveness of the suspension order.

**(f) Call for Review by the Exchange Board of Directors**

If there is no pending application to the Hearing Panel to have a suspension order modified, set aside, limited, or revoked, the Exchange Board of Directors, in accordance with Rule 10.9310, may call for review the Hearing Panel decision on whether to issue a suspension order. A call for review by the Exchange Board of Directors shall not stay the effectiveness of a suspension order.

**(g) Application to SEC for Review**

If there is no call for review by the Exchange Board of Directors, sanctions imposed pursuant to this Rule constitute final and immediately effective disciplinary sanctions imposed by the Exchange. If there is a call for review by the Exchange Board of Directors, their decision shall constitute final and immediately effective disciplinary sanctions imposed by the Exchange. The right to have any action under this Rule reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of a suspension order unless the SEC otherwise orders.

**RULE 10.9600. PROCEDURES FOR EXEMPTIONS**

**Rule 10.9610. Application**

**(a) Where to File**

An ETP Holder seeking exemptive relief as permitted under Rule 10.8211 or Rule 11.2210 shall file a written application with the appropriate department or staff of the Exchange and provide a copy of the application to the CRO.

## **(b) Content**

An application filed pursuant to this Rule shall contain the ETP Holder's name and address, the name of a Person Associated with ETP Holder who will serve as the primary contact for the application, the Rule from which the ETP Holder is seeking an exemption, and a detailed statement of the grounds for granting the exemption. If the ETP Holder does not want the application or the decision on the application to be publicly available in whole or in part, the ETP Holder also shall include in its application a detailed statement, including supporting facts, showing good cause for treating the application or decision as confidential in whole or in part.

## **(c) Applicant**

An ETP Holder that files an application under this Rule is referred to as "Applicant" hereinafter in the Rule 10.9600 Series.

### **Rule 10.9620. Decision**

After considering an application, Exchange staff shall issue a written decision setting forth its findings and conclusions. The decision shall be served on the Applicant pursuant to Rules 10.9132 and 10.9134. After the decision is served on the Applicant, the application and decision may be publicly available.

### **Rule 10.9630. Appeal**

#### **(a) Notice**

An Applicant may file a written notice of appeal within 15 calendar days after service of a decision issued under Rule 10.9620. The notice of appeal shall be filed with the CRO, with a copy of the notice also provided to the appropriate department or staff of the Exchange. The notice of appeal shall contain a brief statement of the findings and conclusions as to which exception is taken. Appeals of decisions issued by Exchange staff pursuant to Rule 10.9620 shall be decided by the CRO. If the Applicant does not want the decision on the appeal to be publicly available in whole or in part, the Applicant also shall include in its notice of appeal a detailed statement, including supporting facts, showing good cause for treating the decision as confidential in whole or in part. The notice of appeal shall be signed by the Applicant.

#### **(b) Expedited Review**

Where the failure to promptly review a decision to deny a request for exemption would unduly or unfairly harm the applicant, the CRO shall provide expedited review.

#### **(c) Withdrawal of Appeal**

An Applicant may withdraw its notice of appeal at any time by filing a written notice of withdrawal of appeal with the CRO.

**(d) Oral Argument**

Following the filing of a notice of appeal, the CRO may order oral argument. The CRO may consider any new evidence if the Applicant can show good cause for not including it in its application.

**(e) Decision**

After considering all matters on appeal, the CRO shall affirm, modify, or reverse the decision issued under Rule 10.9620. The CRO shall issue a written decision setting forth its findings and conclusions and serve the decision on the Applicant. The decision shall be served pursuant to Rules 10.9132 and 10.9134. The decision shall be effective upon service and shall constitute final action of the Exchange.

**RULE 10.9700. Reserved.**

**RULE 10.9800. TEMPORARY CEASE AND DESIST ORDERS**

**Rule 10.9810. Initiation of Proceeding**

**(a) Enforcement; Service and Filing of Notice**

With the prior written authorization of the Exchange's CRO or such other senior officers as the CRO may designate, Enforcement may initiate a temporary cease and desist proceeding with respect to alleged violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; Exchange Act Rules 15g-1 through 15g-9; or Rule 11.3.1 (if the alleged violation is unauthorized trading, or misuse or conversion of customer assets, or based on violations of Section 17(a) of the Securities Act); or Rule 11.3.3. Enforcement shall initiate the proceeding by serving a notice on an ETP Holder or Associated Person (hereinafter "Respondent") (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the Respondent) and filing a copy thereof with the Office of Hearing Officers. Enforcement shall serve the notice by personal service, overnight commercial courier, or email. If service is made by email, Enforcement shall send an additional copy of the notice by personal service or overnight commercial courier. Service is complete upon sending the notice by email or overnight courier or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The notice shall be effective when service is complete.

**(b) Contents of Notice**



The notice shall set forth the rule or statutory provision that the Respondent is alleged to have violated and that Enforcement is seeking to have the Respondent ordered to cease violating. The notice also shall state whether Enforcement is requesting the Respondent to be required to take action, refrain from taking action or both. The notice shall be accompanied by:

- (1) a declaration of facts, signed by a person with knowledge of the facts contained therein, that specifies the acts or omissions that constitute the alleged violation;
- (2) a memorandum of points and authorities setting forth the legal theories upon which Enforcement relies; and
- (3) a proposed order that contains the required elements of a temporary cease and desist order (except the date and hour of the order's issuance), which are set forth in Rule 10.9840(b).

**(c) Authority to Approve Settlements**

If the Parties agree to the terms of the proposed temporary cease and desist order, the Hearing Officer shall have the authority to approve and issue the order.

**(d) Filing of Underlying Complaint**

If Enforcement has not issued a complaint under Rule 10.9211 against the Respondent relating to the subject matter of the temporary cease and desist proceeding and alleging violations of the rule or statutory provision specified in the notice described in paragraph (b), Enforcement shall serve and file such a complaint with the notice initiating the temporary cease and desist proceeding. Service of the complaint can be made in accordance with the service provisions in paragraph (a).

**Rule 10.9820. Appointment of Hearing Officer and Hearing Panel**

(a) As soon as practicable after Enforcement files a copy of the notice initiating a temporary cease and desist proceeding with the Office of Hearing Officers, the Chief Hearing Officer shall assign a Hearing Officer to preside over the temporary cease and desist proceeding. The Chief Hearing Officer shall appoint two Panelists to serve on a Hearing Panel with the Hearing Officer. The Panelists shall be appointed pursuant to Rule 10.9231.

(b) If at any time a Hearing Officer or Hearing Panelist determines that he or she has a conflict of interest or bias or circumstances otherwise exist where his or her fairness might reasonably be questioned, or if a Party files a motion to disqualify a Hearing Officer or Hearing Panelist, the recusal and disqualification proceeding shall be conducted in accordance with Rules 10.9233 and 10.9234, except that:

(1) a motion seeking disqualification of a Hearing Officer or Hearing Panelist must be filed no later than 5 days after the later of the events described in paragraph (b) of Rules 10.9233 and 10.9234; and

(2) the Chief Hearing Officer shall appoint a replacement Panelist using the criteria set forth in paragraph (a) of this Rule.

### **Rule 10.9830. Hearing**

#### **(a) When Held**

The hearing shall be held not later than 15 days after service of the notice and filing initiating the temporary cease and desist proceeding, unless otherwise extended by the Chief Hearing Officer or Deputy Chief Hearing Officer for good cause shown. If a Hearing Officer or Hearing Panelist is recused or disqualified, the hearing shall be held not later than five days after a replacement Hearing Officer or Hearing Panelist is appointed.

#### **(b) Service of Notice of Hearing**

The Office of Hearing Officers shall serve a notice of date, time, and place of the hearing on Enforcement and the Respondent (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the Respondent) not later than seven days before the hearing, unless otherwise ordered by the Hearing Officer. Service shall be made by personal service, overnight commercial courier, or email. If service is made by email, the Office of Hearing Officers shall send an additional copy of the notice by personal service or overnight commercial courier. Service is complete upon sending the notice by email or overnight courier or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The notice shall be effective when service is complete.

#### **(c) Authority of Hearing Officer**

The Hearing Officer shall have authority to do all things necessary and appropriate to discharge his or her duties as set forth under Rule 10.9235.

#### **(d) Witnesses**

A person who is subject to the jurisdiction of the Exchange shall testify under oath or affirmation. The oath or affirmation shall be administered by a court reporter or a notary public.

#### **(e) Additional Information**

Prior to the hearing, the Hearing Officer may order a Party to furnish to all other Parties and the Hearing Panel such information as deemed appropriate, including any or all of the pre-hearing submissions described in Rule 10.9242(a). The documentary evidence submitted by the Parties pursuant to this paragraph shall not become part of the record, unless the Hearing Officer or Hearing Panel orders some or all of such evidence included pursuant to Rule 10.9830(g). At any time during the Hearing Panel's consideration, the Hearing Panel may direct a Party to submit additional information. Any additional information submitted shall be provided to all Parties at least one day before the Hearing Panel renders its decision.

**(f) Transcript**

The hearing shall be recorded by a court reporter and a written transcript thereof shall be prepared. A transcript of the hearing shall be available to the Parties for purchase from the court reporter at prescribed rates. A witness may purchase a copy of the transcript of his or her own testimony from the court reporter at prescribed rates. Proposed corrections to the transcript may be submitted by affidavit to the Hearing Panel within a reasonable time determined by the Hearing Panel. Upon notice to all the Parties to the proceeding, the Hearing Panel may order corrections to the transcript as requested or sua sponte.

**(g) Record and Evidence Not Admitted**

The record shall consist of the notice initiating the proceeding, the declaration, and the proposed order described in Rule 10.9810(b); the transcript of the hearing; all evidence considered by the Hearing Panel; and any other document or item accepted into the record by the Hearing Officer or the Hearing Panel. The Office of Hearing Officers shall be the custodian of the record. Proffered evidence that is not accepted into the record by the Hearing Panel shall be retained by the custodian of the record until the date when the Exchange's decision becomes final or, if applicable, upon the conclusion of any review by the SEC or the federal courts.

**(h) Failure to Appear at Hearing**

If a Respondent fails to appear at a hearing for which it has notice, the allegations in the notice and accompanying declaration may be deemed admitted, and the Hearing Panel may issue a temporary cease and desist order without further proceedings. If Enforcement fails to appear at a hearing for which it has notice, the Hearing Panel may order that the temporary cease and desist proceeding be dismissed.

**Rule 10.9840. Issuance of Temporary Cease and Desist Order by Hearing Panel**

**(a) Basis for Issuance**

The Hearing Panel shall issue a written decision stating whether a temporary cease and desist order shall be imposed. The Hearing Panel shall issue the decision not later than ten days after receipt of the hearing transcript, unless otherwise extended by the Chief

Hearing Officer or Deputy Chief Hearing Officer for good cause shown. A temporary cease and desist order shall be imposed if the Hearing Panel finds:

- (1) that Enforcement has made a showing of a likelihood of success on the merits; and
- (2) that the alleged violative conduct or continuation thereof is likely to result in significant dissipation or conversion of assets or other significant harm to investors prior to the completion of the underlying disciplinary proceeding under the Rule 10.9200 and 10.9300 Series.

**(b) Content, Scope, and Form of Order**

A temporary cease and desist order shall:

- (1) be limited to ordering a Respondent (and any successor of a Respondent, where the Respondent is an ETP Holder) to cease and desist from violating a specific rule or statutory provision, and, where applicable, to ordering a Respondent (and any successor of a Respondent, where the Respondent is an ETP Holder) to cease and desist from dissipating or converting assets or causing other harm to investors;
- (2) set forth the alleged violation and the significant dissipation or conversion of assets or other significant harm to investors that is likely to result without the issuance of an order;
- (3) describe in reasonable detail the act or acts the Respondent (and any successor of a Respondent, where the Respondent is an ETP Holder) shall take, refrain from taking, or both; and
- (4) include the date and hour of its issuance.

**(c) Duration of Order**

A temporary cease and desist order shall remain effective and enforceable until the issuance of a decision under Rule 10.9268 or Rule 10.9269, or until a settlement offer is accepted pursuant to Rule 10.9270.

**(d) Service and Dissemination Requirements**

The Office of Hearing Officers shall serve the Hearing Panel's decision and any temporary cease and desist order on Enforcement and the Respondent (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the Respondent) by personal service, overnight commercial

courier, or email. If service is made by email, the Office of Hearing Officers shall send an additional copy of the Hearing Panel's decision and any temporary cease and desist order by personal service or overnight commercial courier. Service is complete upon sending the notice by email or overnight courier, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The temporary cease and desist order shall be effective when service is complete. The Office of Hearing Officers shall provide a copy of the temporary cease and desist order to each ETP Holder with which a Respondent is associated.

**(e) Delivery Requirement**

Where a Respondent is an ETP Holder, Respondent shall deliver a copy of a temporary cease and desist order, within one business day of receiving it, to its Associated Persons.

**Rule 10.9850. Review by Hearing Panel**

At any time after the Office of Hearing Officers serves the Respondent (or counsel representing the Respondent, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the Respondent) with a temporary cease and desist order, a Party may apply to the Hearing Panel to have the order modified, set aside, limited, or suspended. The application shall set forth with specificity the facts that support the request. The Hearing Panel that presided over the temporary cease and desist order proceeding shall retain jurisdiction to modify, set aside, limit, or suspend the temporary cease and desist order, unless at the time the application is filed a Hearing Panel has already been appointed in the underlying disciplinary proceeding commenced under Rule 10.9211 in which case the Hearing Panel appointed in the disciplinary proceeding has jurisdiction. The Hearing Panel shall respond to the request in writing within ten days after receipt of the request, unless otherwise extended by the Chief Hearing Officer or Deputy Chief Hearing Officer for good cause shown. The Hearing Panel's response shall be served on the Respondent (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 10.9141, when counsel or other person authorized to represent others under Rule 10.9141 agrees to accept service for the Respondent) via personal service, overnight commercial courier, or email. If service is made by email, the Office of Hearing Officers shall send an additional copy of the temporary cease and desist order by personal service or overnight commercial courier. The filing of an application under this Rule shall not stay the effectiveness of the temporary cease and desist order.

**Rule 10.9860. Violation of Temporary Cease and Desist Orders**

A Respondent who violates a temporary cease and desist order imposed under this Rule Series may have its association or ETP suspended or canceled or be subject to any fitting sanction under Rule 10.9556. The Exchange's CRO or such other senior officer as the CRO may designate must authorize the initiation of any such proceeding in writing.

## **Rule 10.9870. Application to SEC for Review**

Temporary cease and desist orders issued pursuant to this Rule Series constitute final and immediately effective disciplinary sanctions imposed by the Exchange. The right to have any action under this Rule Series reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of the temporary cease and desist order, unless the SEC otherwise orders.

## **RULE 11 BUSINESS CONDUCT**

### **Section 1. Rules of Fair Practice**

*References to the term ETP Holder in Section 1 to Rule 11 also mean Associated Persons of ETP Holders.*

#### **Rule 11.3.1. Business Conduct of ETP Holders**

An ETP Holder, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

#### ***Commentary:***

**.01** An ETP Holder may not split any order into multiple smaller orders for any purpose other than seeking the best execution for the entire order.

#### **Rule 11.3.2. Violations Prohibited**

No ETP Holder shall engage in conduct in violation of the Exchange Act, the rules or regulations thereunder, the By-Laws, Exchange Rules or any policy or written interpretation of the By-Laws or Exchange Rules by the Board or an appropriate Exchange Committee. Every ETP Holder shall so supervise Persons Associated with the ETP Holder as to assure compliance with those requirements.

#### **Rule 11.3.3. Use of Fraudulent Devices**

No ETP Holder shall effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance.

#### **Rule 11.3.4. False Statements**

No ETP Holder or applicant for an ETP shall make any false statements or misrepresentations in any application, report or other communication to the Exchange. No ETP Holder shall make any false statement or misrepresentation to any Exchange committee, officer, the Board or any designated self-regulatory organization in connection with any matter within the jurisdiction of the Exchange.

### **Rule 11.3.5. Advertising Practices**

(a) No ETP Holder, directly or indirectly, in connection with the purchase or sale of any security that has listed or unlisted trading privileges on the Exchange, shall publish, circulate or distribute any advertisement, sales literature or market letter or make oral statements or presentations which the ETP Holder knows, or in the exercise of reasonable care should know, contain any untrue statement of material fact or which is otherwise false or misleading. Exaggerated or misleading statements or claims are prohibited.

(b) Advertisements, sales literature and market letters shall contain the name of the ETP Holder, the person or firm preparing the material, if other than the ETP Holder, and the date on which it was first published, circulated or distributed (except that in advertisements only the name of the ETP Holder need be stated).

(c) No cautionary statements or caveats, often called hedge clauses, may be used if they could mislead the reader or are inconsistent with the content of the material.

(d) Each item of advertising and sales literature and each market letter shall be approved by signature or initial, prior to use, by an officer, partner or other official the ETP Holder has designated to supervise all such matters.

(e) A separate file of all advertisements, sales literature and market letters, including the names of the persons who prepared them and/or approved their use, shall be maintained by the ETP Holder for a period of three years from the date of each use (for the first two years in a place readily accessible to examination or spot checks). Each ETP Holder shall file with the Exchange, or the designated self-regulatory organization for such ETP Holder, within five business days after initial use, each advertisement (i.e., any material for use in any newspaper or magazine or other public media or by radio, telephone, recording, motion picture or television, except tombstone advertisements), unless such advertisement may be published under the rules of another self-regulatory organization regulating the ETP Holder under the Act.

(f) Testimonial material based on experience with the ETP Holder or concerning any advice, analysis, report or other investment related service rendered by the ETP Holder must make clear that such testimony is not necessarily indicative of future performance or results obtained by others. Testimonials also shall state whether any compensation has been paid to the maker, directly or indirectly, and if the material implies special experience or expert opinion, the qualifications of the maker of the testimonial should be given.

(g) Any statement to the effect that a report or analysis or other service will be furnished free or without any charge shall not be made unless such report or analysis or other service actually is or will be furnished entirely free and without condition or obligation.

(h) No claim or implication may be made for research or other facilities beyond those which the ETP Holder actually possesses or has reasonable capacity to provide.

### **Rule 11.3.6. Fair Dealing with Customers**

All ETP Holders have a fundamental responsibility for fair dealing with their customers. Practices which do not represent fair dealing include, but are not limited to, the following:

- (a) Reserved.
- (b) Excessive activity in customer accounts (churning or overtrading) in relation to the objectives and financial situation of the customer.
- (c) Establishment of fictitious accounts in order to execute transactions which otherwise would be prohibited or which are against firm policy.
- (d) Causing the execution of transactions which are unauthorized by customers or the sending of confirmations in order to cause customers to accept transactions not actually agreed upon;
- (e) Unauthorized use or borrowing of customer funds or securities; and
- (f) Reserved.

#### ***Commentary:***

.01 ETP Holders who handle customer orders on the Exchange shall establish and enforce fixed standards for queuing and executing customer orders.

### **Rule 11.3.7. Reserved**

### **Rule 11.3.8. The Prompt Receipt and Delivery of Securities**

(a) Purchases. No ETP Holder may accept a customer's purchase order for any security until it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

(b) Sales.

(1) No ETP Holder shall execute a sale order for any customer in any security unless:

(A) the other customer has possession of the security; or

(B) the customer is long the security in his account with the ETP Holder; or

(C) reasonable assurance is received by the ETP Holder from the customer that the security will be delivered to it in good deliverable form within three (3) business



days of the execution of the order; or

(D) the security is on deposit in good deliverable form with (A) an ETP Holder of the Exchange, (B) a member of another self-regulatory organization or (C) any organization subject to state or federal banking regulations, and instructions have been forwarded to such member or organization to deliver the securities against payment.

(2) In order to satisfy the "requirement of reasonable assurance" contained in subparagraph (b)(1)(C) above, the ETP Holder, at the time it takes the order, shall make a notation on the order ticket which reflects the ETP Holder's conversation with the customer as to the present location of the securities in question, whether they are in good deliverable form and his ability to deliver them to the ETP Holder within three business days.

#### **Rule 11.3.9. Charges for Services Performed**

An ETP Holder's charges, if any, for services performed (including miscellaneous services such as collection of moneys due for principal, dividends or interest; exchange or transfer of securities; appraisals, safekeeping or custody of securities; and other services) shall be reasonable and not unfairly discriminatory among customers.

#### **Rule 11.3.10. Use of Information**

An ETP Holder who, in the capacity of payment agent, transfer agent, or any other similar capacity, or in any fiduciary capacity, has received information as to the ownership of securities shall not make use of such information for soliciting purchases, sales or exchanges except at the request, and on behalf, of the issuer.

#### **Rule 11.3.11. Publication of Transactions and Quotations**

No ETP Holder shall report to the Exchange or publish or cause to be published any transaction as a purchase or sale of any security unless such ETP Holder believes that such transaction was a bona fide purchase or sale of such security, and no ETP Holder shall purport to quote the bid or asked price for any security, unless such ETP Holder believes that such quotation represents a bona fide bid for, or offer of, such security.

#### **Rule 11.3.12. Offers at Stated Prices**

No ETP Holder shall make an offer to buy from or sell to any person any security at a stated price unless such ETP Holder is prepared to purchase or sell, as the case may be, at such price and under such conditions as are stated at the time of such offer to buy or sell.

#### **Rule 11.3.13. Payment Designed to Influence Market Prices, Other than Paid Advertising**

No ETP Holders shall directly or indirectly, give, permit to be given, or offer to give anything of value to any person for the purpose of influencing or rewarding the action of such person in connection with the publication or circulation in any newspaper, investment service or similar publication of any matter which has, or is intended to have, an effect upon the market price of any security; provided, that this Rule shall not be construed to apply to a matter which is clearly identifiable as paid advertising.

**Rule 11.3.14. Reserved**

**Rule 11.3.15. Disclosure of Control**

An ETP Holder controlled by, controlling, or under common control with, the issuer of any security, shall disclose to a customer the existence of such control before entering into any contract with or for such customer for the purchase or sale of such security, and if such disclosure is not made in writing, it shall be supplemented by the giving or sending of a written disclosure to the customer at or before completion of the transaction.

**Rule 11.3.16. Discretionary Accounts**

(a) No ETP Holder shall effect any purchase or sale transactions with, or for, any customer's account in respect of which such ETP Holder is vested with any discretionary power if such transactions are excessive in size or frequency in view of the financial resources and character of such account.

(b) No ETP Holder shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization and the account has been accepted by the ETP Holder, as evidenced in writing by a person duly designated by the ETP Holder.

(c) The ETP Holder shall approve promptly in writing each discretionary order entered and shall review all discretionary accounts at frequent intervals in order to detect and prevent transactions which are excessive in size or frequency in view of the financial resources and character of the account. The ETP Holder shall designate a partner, officer or manager in each office, including the main office, to carry out the approval and review procedures.

(d) This Rule shall not apply to an order by a customer for the purchase or sale of a definite amount of a specified security which order gives the ETP Holder discretion only over the time and price of execution.

**Rule 11.3.17. Customer's Securities or Funds**

No ETP Holder shall make improper use of a customer's securities or funds.

**Rule 11.3.18. Prohibition Against Guarantees**

No ETP Holder shall guarantee, directly or indirectly, a customer against loss in any

securities account of such customer carried by the ETP Holder or in any securities transaction effected by the ETP Holder with or for such customer.

**Rule 11.3.19. Sharing in Accounts; Extent Permissible**

No ETP Holder shall share, directly or indirectly, in the profits or losses in any account of a customer carried by the ETP Holder or any other ETP Holder, unless authorized by the customer or ETP Holder carrying the account; and an ETP Holder shall share in the profits or losses in any account of such customer only in direct proportion to the financial contributions made to such account by the ETP Holder. Accounts of the immediate family of an ETP Holder shall be exempt from this direct proportionate share limitation. For purposes of this Rule, the term "immediate family" shall include parents, mother-in-law, father-in-law, husband or wife, children or any other relative to whose support the ETP Holder contributes directly or indirectly.

**Rule 11.3.20. Reserved**

**Rule 11.3.21 Telephone Solicitation**

(a) Telemarketing Restrictions. No ETP Holder or Associated Person of an ETP Holder shall make an outbound telephone call to:

- (1) any person's residence at any time other than between 8:00 a.m. and 9:00 p.m. local time at the called person's location;
- (2) any person that previously has stated that he or she does not wish to receive any outbound telephone calls made by or on behalf of the ETP Holder; or
- (3) any person who has registered his or her telephone number on the Federal Trade Commission's national do-not-call registry.

(b) Caller Disclosures. No ETP Holder or Associated Person of an ETP Holder shall make an outbound telephone call to any person without disclosing truthfully, promptly and in a clear and conspicuous manner to the called person the following information:

- (1) the identity of the caller and the ETP Holder;
- (2) the telephone number or address at which the caller may be contacted; and
- (3) that the purpose of the call is to solicit the purchase of securities or related services.

The telephone number provided may not be a 900 number or any other number for which charges exceed local or long-distance transmission charges.

(c) Exceptions. The prohibition of paragraph (a)(1) does not apply to outbound telephone calls by an ETP Holder or an Associated Person of an ETP Holder if:

- (1) the ETP Holder has received that person's express prior consent;
  - (2) the ETP Holder has an established business relationship with the person; or
  - (3) the person called is a broker or dealer.
- (d) ETP Holder's Firm-Specific Do-Not-Call List.
- (1) Each ETP Holder shall make and maintain a centralized list of persons who have informed the ETP Holder or any of its Associated Persons of an ETP Holder that they do not wish to receive outbound telephone calls.
  - (2) Prior to engaging in telemarketing, an ETP Holder must institute procedures to comply with paragraphs (a) and (b). Such procedures must meet the following minimum standards:
    - (A) Written policy. ETP Holders must have a written policy for maintaining the do-not-call list described under paragraph (d)(1).
    - (B) Training of personnel engaged in telemarketing. Personnel engaged in any aspect of telemarketing must be informed and trained in the existence and use of the do-not-call list.
    - (C) Recording, disclosure of do-not-call requests. If an ETP Holder receives a request from a person not to receive calls from that ETP Holder, the ETP Holder must record the request and place the person's name, if provided, and telephone number on the ETP Holder's firm-specific do-not-call list at the time the request is made. ETP Holders must honor a person's do-not-call request within a reasonable time from the date such request is made. This period may not exceed 30 days from the date of such request. If such requests are recorded or maintained by a party other than the ETP Holder on whose behalf the outbound telephone call is made, the ETP Holder on whose behalf the outbound telephone call is made will be liable for any failures to honor the do-not-call request.
    - (D) Identification of telemarketers. An ETP Holder or Associated Person of an ETP Holder making an outbound telephone call must make the caller disclosures set forth in paragraph (b).
    - (E) Affiliated persons or entities. In the absence of a specific request by the person to the contrary, a person's do-not-call request shall apply to the ETP Holder making the call, and shall not apply to affiliated entities unless the consumer reasonably would expect them to be included given the identification of the caller and the product being advertised.
    - (F) Maintenance of do-not-call lists. An ETP Holder making outbound telephone calls must maintain a record of a person's request not to receive further calls.

(e) Do-Not-Call Safe Harbors.

- (1) An ETP Holder or Associated Person of an ETP Holder making outbound telephone calls will not be liable for violating paragraph (a)(3) if:
    - (A) the ETP Holder has an established business relationship with the called person. A person's request to be placed on the ETP Holder's firm-specific do-not-call list terminates the established business relationship exception to the national do-not-call registry provision for that ETP Holder even if the person continues to do business with the ETP Holder;
    - (B) the ETP Holder has obtained the person's prior express written consent. Such consent must be clearly evidenced by a signed, written agreement (which may be obtained electronically under the E-Sign Act) between the person and the ETP Holder, which states that the person agrees to be contacted by the ETP Holder and includes the telephone number to which the calls may be placed; or
    - (C) the ETP Holder or Associated Person of an ETP Holder making the call has a personal relationship with the called person.
  - (2) An ETP Holder or Associated Person of an ETP Holder making outbound telephone calls will not be liable for violating paragraph (a)(3) if the ETP Holder or Associated Person of an ETP Holder demonstrates that the violation is the result of an error and that as part of the ETP Holder's routine business practice:
    - (A) the ETP Holder has established and implemented written procedures to comply with paragraphs (a) and (b);
    - (B) the ETP Holder has trained its personnel, and any entity assisting in its compliance, in the procedures established pursuant to paragraph (e)(2)(A);
    - (C) the ETP Holder has maintained and recorded a list of telephone numbers that it may not contact in compliance with paragraph (d); and
    - (D) the ETP Holder uses a process to prevent outbound telephone calls to any telephone number on the ETP Holder's firm-specific do-not-call list or the national do-not-call registry, employing a version of the national do-not-call registry obtained from the Federal Trade Commission no more than 31 days prior to the date any call is made, and maintains records documenting this process.
- (f) Wireless Communications. The provisions set forth in this Rule are applicable to ETP Holders and Associated Persons of an ETP Holder making outbound telephone calls to wireless telephone numbers.
- (g) Outsourcing Telemarketing. If an ETP Holder uses another appropriately registered or licensed entity or person to perform telemarketing services on its behalf, the ETP Holder

remains responsible for ensuring compliance with all provisions contained in this Rule.

(h) **Billing Information.** For any telemarketing transaction, no ETP Holder or Associated Person of an ETP Holder shall cause billing information to be submitted for payment, directly or indirectly, without the express informed consent of the customer. Each ETP Holder or Associated Person of an ETP Holder must obtain the express informed consent of the person to be charged and to be charged using the identified account.

In any telemarketing transaction involving preacquired account information, the following requirements must be met to evidence express informed consent:

(1) In any telemarketing transaction involving preacquired account information and a free-to-pay conversion feature, the ETP Holder or Associated Person of an ETP Holder must:

(A) obtain from the customer, at a minimum, the last four digits of the account number to be charged;

(B) obtain from the customer an express agreement to be charged and to be charged using the account number pursuant to paragraph (h)(1)(A); and

(C) make and maintain an audio recording of the entire telemarketing transaction.

(2) In any other telemarketing transaction involving preacquired account information not described in paragraph (h)(1), the ETP Holder or Associated Person of an ETP Holder must:

(A) identify the account to be charged with sufficient specificity for the customer to understand what account will be charged; and

(B) obtain from the customer an express agreement to be charged and to be charged using the account number identified pursuant to paragraph (h)(2)(A).

(i) **Caller Identification Information.**

(1) Any ETP Holder that engages in telemarketing must transmit or cause to be transmitted the telephone number and, when made available by the ETP Holder's telephone carrier, the name of the ETP Holder to any caller identification service in use by a recipient of an outbound telephone call.

(2) The telephone number so provided must permit any person to make a do-not-call request during regular business hours.

(3) Any ETP Holder that engages in telemarketing is prohibited from blocking the transmission of caller identification information.

(j) Unencrypted Consumer Account Numbers. No ETP Holder or Associated Person of an ETP Holder shall disclose or receive, for consideration, unencrypted consumer account numbers for use in telemarketing. The term “unencrypted” means not only complete, visible account numbers, whether provided in lists or singly, but also encrypted information with a key to its decryption. This paragraph will not apply to the disclosure or receipt of a customer’s billing information to process pursuant to a telemarketing transaction.

(k) Abandoned Calls.

(1) No ETP Holder or Associated Person of an ETP Holder shall “abandon” any outbound telephone call. An outbound telephone call is “abandoned” if a called person answers it and the call is not connected to an ETP Holder or Associated Person of an ETP Holder within two seconds of the called person’s completed greeting.

(2) An ETP Holder or Associated Person of an ETP Holder shall not be liable for violating paragraph (k)(1) if:

(A) the ETP Holder or Associated Person of an ETP Holder employs technology that ensures abandonment of no more than three percent of all outbound telephone calls answered by a person, measured over the duration of a single calling campaign, if less than 30 days, or separately over each successive 30-day period or portion thereof that the campaign continues;

(B) the ETP Holder or Associated Person of an ETP Holder, for each outbound telephone call placed, allows the telephone to ring for at least 15 seconds or 4 rings before disconnecting an unanswered call;

(C) whenever an ETP Holder or Associated Person of an ETP Holder is not available to speak with the person answering the outbound telephone call within two seconds after the person’s completed greeting, the ETP Holder or Associated Person of an ETP Holder promptly plays a prerecorded message that states the name and telephone number of the ETP Holder or Associated Person of an ETP Holder on whose behalf the call was placed; and

(D) the ETP Holder or Associated Person of an ETP Holder retains records establishing compliance with paragraph (k)(2).

(l) Prerecorded Messages.

(1) No ETP Holder or Associated Person of an ETP Holder shall initiate any outbound telephone call that delivers a prerecorded message, other than a prerecorded message permitted for compliance with the call abandonment safe harbor in paragraph (k)(2)(C), unless:

(A) the ETP Holder has obtained from the called person an express agreement, in writing, that:

- (i) the ETP Holder obtained only after a clear and conspicuous disclosure that the purpose of the agreement is to authorize the ETP Holder to place prerecorded calls to such person;
- (ii) the ETP Holder obtained without requiring, directly or indirectly, that the agreement be executed as a condition of purchasing any good or service;
- (iii) evidences the willingness of the called person to receive calls that deliver prerecorded messages by or on behalf of the ETP Holder; and
- (iv) includes such person's telephone number and signature (which may be obtained electronically under the E-Sign Act);

(B) the ETP Holder allows the telephone to ring for a least 15 seconds or four rings before disconnecting an unanswered call and, within two seconds after the completed greeting of the called person, plays a prerecorded message that promptly provides the disclosures in paragraph (b), followed immediately by a disclosure of one or both of the following:

- (i) in the case of a call that could be answered in person, that the called person can use an automated interactive voice and/or keypress-activated opt-out mechanism to assert a firm-specific do-not-call request pursuant to the ETP Holder's procedures instituted under paragraph (d)(2)(C) at any time during the message. The mechanism must automatically add the number called to the ETP Holder's firm-specific do-not-call list; once invoked, immediately disconnect the call; and be available for use at any time during the message; and
- (ii) in the case of a call that could be answered by an answering machine or voicemail service, that the call recipient can use a toll-free telephone number to assert a firm-specific do-not-call request pursuant to the ETP Holder's procedures instituted under paragraph (d)(2)(C). The number provided must connect directly to an automated interactive voice or keypress-activated opt-out mechanism that automatically adds the number called to the ETP Holder's firm-specific do-not-call list; immediately thereafter disconnects the call; and is accessible at any time throughout the duration of the telemarketing campaign; and

(C) the ETP Holder complies with all other requirements of this Rule and other applicable federal and state laws.

(2) Any call that complies with all applicable requirements of paragraph (l) shall not be deemed to violate paragraph (k).



(m) Credit Card Laundering. Except as expressly permitted by the applicable credit card system, no ETP Holder or Associated Person of an ETP Holder shall:

- (1) present to or deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the ETP Holder;
- (2) employ, solicit, or otherwise cause a merchant, or an employee, representative or agent of the merchant, to present to or to deposit into the credit card system for payment a credit card sales draft generated by a telemarketing transaction that is not the result of a telemarketing credit card transaction between the cardholder and the merchant; or
- (3) obtain access to the credit card system through the use of a business relationship or an affiliation with a merchant, when such access is not authorized by the merchant agreement or the applicable credit card system.

(n) Definitions. For purposes of this Rule:

- (1) The term “account activity” includes, but is not limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the ETP Holder.
- (2) The term “acquirer” means a business organization, financial institution, or an agent of a business organization or financial institution that has authority from an organization that operates or licenses a credit card system to authorize merchants to accept, transmit, or process payment by credit card through the credit card system for money, goods or services, or anything else of value.
- (3) The term “billing information” means any data that enables any person to access a customer’s or donor’s account, such as a credit or debit card number, a brokerage, checking, or savings account number, or a mortgage loan account number. A “donor” means any person solicited to make a charitable contribution. A “charitable contribution” means any donation or gift of money or any other thing of value, for example a transfer to a pooled income fund.
- (4) The term “broker-dealer of record” refers to the broker or dealer identified on a customer’s account application for accounts held directly at a mutual fund or variable insurance product issuer.
- (5) The term “caller identification service” means a service that allows a telephone subscriber to have the telephone number and, where available, name of the calling party transmitted contemporaneously with the telephone call, and displayed on a device in or connected to the subscriber’s telephone.

- (6) The term “cardholder” means a person to whom a credit card is issued or who is authorized to use a credit card on behalf of or in addition to the person to whom the credit card is issued.
- (7) The term “credit” means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment.
- (8) The term “credit card” means any card, plate, coupon book, or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.
- (9) The term “credit card sales draft” means any record or evidence of a credit card transaction.
- (10) The term “credit card system” means any method or procedure used to process credit card transactions involving credit cards issued or licensed by the operator of that system.
- (11) The term “customer” means any person who is or may be required to pay for goods or services through telemarketing.
- (12) The term “established business relationship” means a relationship between an ETP Holder and a person if:
- (A) the person has made a financial transaction or has a security position, a money balance, or account activity with the ETP Holder or at a clearing firm that provides clearing services to such ETP Holder within the 18 months immediately preceding the date of an outbound telephone call;
  - (B) the ETP Holder is the broker-dealer of record for an account of the person within the 18 months immediately preceding the date of an outbound telephone call; or
  - (C) the person has contacted the ETP Holder to inquire about a product or service offered by the ETP Holder within the three months immediately preceding the date of an outbound telephone call.

A person’s established business relationship with an ETP Holder does not extend to the ETP Holder’s affiliated entities unless the person would reasonably expect them to be included. Similarly, a person’s established business relationship with an ETP Holder’s affiliate does not extend to the ETP Holder unless the person would reasonably expect the ETP Holder to be included.

- (13) The term “free-to-pay conversion” means, in an offer or agreement to sell or provide any goods or services, a provision under which a customer receives a product or service for free for an initial period and will incur an obligation to pay for the product or service if he or she does not take affirmative action to cancel before

the end of that period.

- (14) The term “merchant” means a person who is authorized under a written contract with an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.
- (15) The term “merchant agreement” means a written contract between a merchant and an acquirer to honor or accept credit cards, or to transmit or process for payment credit card payments, for the purchase of goods or services or a charitable contribution.
- (16) The term “outbound telephone call” means a telephone call initiated by a telemarketer to induce the purchase of goods or services or to solicit a charitable contribution from a donor.
- (17) The term “person” means any individual, group, unincorporated association, limited or general partnership, corporation, or other business entity.
- (18) The term “personal relationship” means any family member, friend, or acquaintance of the person making an outbound telephone call.
- (19) The term “preacquired account information” means any information that enables an ETP Holder or Associated Person of an ETP Holder to cause a charge to be placed against a customer’s or donor’s account without obtaining the account number directly from the customer or donor during the telemarketing transaction pursuant to which the account will be charged.
- (20) The term “telemarketer” means any person who, in connection with telemarketing, initiates or receives telephone calls to or from a customer or donor.
- (21) The term “telemarketing” means consisting of or relating to a plan, program, or campaign involving at least one outbound telephone call, for example cold-calling. The term does not include the solicitation of sales through the mailing of written marketing materials, when the person making the solicitation does not solicit customers by telephone but only receives calls initiated by customers in response to the marketing materials and during those calls takes orders only without further solicitation. For purposes of the previous sentence, the term “further solicitation” does not include providing the customer with information about, or attempting to sell, anything promoted in the same marketing materials that prompted the customer’s call.

***Commentary:***

**.01** ETP Holders and Associated Persons of an ETP Holder that engage in telemarketing also are subject to the requirements of relevant state and federal laws and rules, including

but not limited to the Telemarketing and Consumer Fraud and Abuse Prevention Act, the Telephone Consumer Protection Act, and the rules of the Federal Communications Commission (“FCC”) relating to telemarketing practices and the rights of telephone consumers.

**.02** It is considered conduct inconsistent with just and equitable principles of trade and a violation of Exchange Rule 3.1 for any ETP Holder or Associated Person of an ETP Holder to:

- (1) call a person repeatedly or continuously in a manner likely to annoy or be offensive; or
- (2) use threats, intimidation, or profane or obscene language in calling any person.

## **Section 2. Books and Records**

### **Rule 11.4.1. Requirements**

Each ETP Holder shall make and keep books, accounts, records, memoranda and correspondence in conformity with Section 17 of the Exchange Act and the rules thereunder, with all other applicable laws and the rules, regulations and statements of policy promulgated thereunder, and with Exchange Rules.

### **Rule 11.4.2. Furnishing of Records**

Every ETP Holder shall furnish to the Exchange, upon request and in a time and manner required by the Exchange, current copies of any financial information filed with the Commission, as well as any records, files, or financial information pertaining to transactions executed on or through the Exchange. Further, the Exchange shall be allowed access, at any time, to the books and records of the ETP Holder in order to obtain or verify information related to transactions executed on or through the Exchange or activities relating to the Exchange.

#### ***Commentary:***

**.01** Consistent with the responsibility of the Exchange and the Commission to provide for timely regulatory investigations, the Exchange has adopted the following time parameters within which ETP Holders are required to respond to Exchange requests for trading data:

1st Request	10 business days
2nd Request	5 business days
3rd Request	5 business days

The third request letter will be sent to the ETP Holder’s compliance officer and/or senior

officer.

**.02 Regulatory Data Submission Requirement.** ETP Holders shall submit to the Exchange such Exchange-related order, market and transaction data as the Exchange may specify, in such form and on such schedule as the Exchange may require.

#### **Rule 11.4.3. Record of Written Complaints**

Each ETP Holder shall keep and preserve for a period of not less than four years a file of all written complaints of customers and action taken by the ETP Holder in respect thereof, if any. Further, for the first two years of the four-year period, the ETP Holder shall keep such file in a place readily accessible to examination or spot checks.

A "complaint" shall mean any written statement of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of an ETP Holder or persons under the control of the ETP Holder in connection with (1) the solicitation or execution of any transaction conducted or contemplated to be conducted through the facilities of the Exchange or (2) the disposition of securities or funds of that customer which activities are related to such a transaction.

#### **Rule 11.4.4. Disclosure of Financial Condition**

An ETP Holder shall make available for inspection by a customer, upon request, the information relative to such ETP Holder's financial condition disclosed in its most recent balance sheet prepared either in accordance with such ETP Holder's usual practice or as required by any State or Federal securities laws, or any rule or regulation thereunder. Further, an ETP Holder shall send to its customers the statements required by Commission Rule 17a-5(c).

As used in paragraph (a) of this Rule, the term "customer" has the same meaning as set forth in Commission Rule 17a-5(c)(4).

### **Section 3. Supervision**

#### **Rule 11.5.1. Written Procedures**

Each ETP Holder shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of Associated Persons of the ETP Holder and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.

#### **Rule 11.5.2. Responsibility of ETP Holders**

Final responsibility for proper supervision shall rest with the ETP Holder. The ETP Holder shall designate a partner, officer or manager in each office of supervisory jurisdiction, including the main office, to carry out the written supervisory procedures. A copy of such procedures shall be kept in each such office.

### **Rule 11.5.3. Records**

Each ETP Holder shall be responsible for making and keeping appropriate records for carrying out the ETP Holder's supervisory procedures.

### **Rule 11.5.4. Review of Activities and Annual Inspection**

Each ETP Holder shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses. Each ETP Holder shall conduct at least annually an inspection of each office of the ETP Holder.

### **Rule 11.5.5. 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. 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 Enforcement for appropriate disciplinary action.

#### ***Commentary:***

**.01** For purposes of Rule 11.5.5, 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, nonpublic 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** Reserved.

**.03** Rule 11.5.5 provides that each ETP Holder for which the Exchange is the DEA should establish, maintain, and enforce written policies and procedures similar to the following, as applicable:

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 express 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 may not, in all cases, satisfy the requirements and intent of Rule 11.5.5. The adequacy of each ETP Holder's policies and procedures will depend upon the nature of each ETP Holder's business.

**.04** ETP Holders acting as a registered Market Maker in UTP Exchange Traded Products, 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 11.5.6. Reserved**

## **Rule 11.5.7. Annual Certification of Compliance and Supervisory Processes**

Each ETP Holder shall have its chief executive officer (or equivalent officer) certify annually, as set forth in Commentary .01, that the ETP Holder has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable Rules of the Exchange and federal securities laws and regulations.

### ***Commentary:***

**.01 Annual Compliance and Supervision Certification.** The Exchange is issuing this Commentary to Rule 11.5.7, which requires that the ETP Holder's chief executive officer (or equivalent officer) execute annually a certification that the ETP Holder has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable Rules of the Exchange and federal securities laws and regulations. The certification for each ensuing year shall be effected no later than on the anniversary date of the previous year's certification. The certification shall state the following:

### ***Annual Compliance and Supervision Certification***

The undersigned is the chief executive officer (or equivalent officer) of (the "ETP Holder"). As required by Rule 11.5.7, the undersigned makes the following certification:

1. The ETP Holder has in place processes to:

(a) establish, maintain and review policies and procedures reasonably designed to achieve compliance with applicable Rules of the NYSE National, Inc. and federal securities laws and regulations;

(b) modify such policies and procedures as business, regulatory and legislative changes and events dictate; and

(c) test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with Rules of the NYSE National, Inc. and federal securities laws and regulations.

2. The undersigned chief executive officer (or equivalent officer) has conducted one or more meetings with the chief compliance officer in the preceding 12 months, the subject of which satisfy the obligations set forth in Commentary .01 to Rule 11.5.7.

3. The ETP Holder's processes, with respect to paragraph 1 above, are evidenced in a report reviewed by the chief executive officer (or equivalent officer), chief compliance officer, and such other officers as the ETP Holder may deem



necessary to make this certification. The final report has been submitted to the ETP Holder's board of directors and audit committee or will be submitted to the ETP Holder's board of directors and audit committee (or equivalent bodies) at the earlier of their next scheduled meetings or within 45 days of the date of execution of this certification.

4. The undersigned chief executive officer (or equivalent officer) has consulted with the chief compliance officer and other officers as applicable (referenced in paragraph 3 above) and such other employees, outside consultants, lawyers and accountants, to the extent deemed appropriate, in order to attest to the statements made in this certification.

The Exchange provides the following guidance in completing the Certification above. Included in the processes requirement is an obligation on the part of the ETP Holder to conduct one or more meetings annually between the chief executive officer (or equivalent officer) and the chief compliance officer to: (1) discuss and review the matters that are subject of the certification; (2) discuss and review the ETP Holder's compliance efforts as of the date of such meetings; and (3) identify and address significant compliance problems and plans for emerging business areas.

The report required in paragraph 3 of the certification must document the ETP Holder's processes for establishing, maintaining, reviewing, testing and modifying compliance policies, that are reasonably designed to achieve compliance with applicable Exchange rules and federal securities laws and regulations, and any principal designated by the ETP Holder may prepare the report. The report must be produced prior to execution of the certification and be reviewed by the chief executive officer (or equivalent officer), chief compliance officer and any other officers the ETP Holder deems necessary to make the certification and must be provided to the ETP Holder's board of directors and audit committee in final form either prior to execution of the certification or at the earlier of their next scheduled meetings or within 45 days of execution of the certification. The report should include the manner and frequency in which the processes are administered, as well as the identification of officers and supervisors who have responsibility for such administration. The report need not contain any conclusions produced as a result of following the processes set forth therein. The report may be combined with any other compliance report or other similar report required by any other self-regulatory organization provided that: (1) such report is clearly titled in a manner indicating that it is responsive to the requirements of the certification and Rule 11.5.7; (2) an ETP Holder that submits a report for review in response to an Exchange request must submit the report in its entirety; and (3) the ETP Holder makes such report in a timely manner, i.e., annually.

#### **Section 4. Extensions of Credit**

##### **Rule 11.6.1. Extensions of Credit - Prohibitions and Exemptions**

(a) An ETP Holder shall not effect a securities transaction through Exchange facilities in a manner contrary to the regulations of the Board of Governors of the Federal Reserve

System.

(b) In instances where the Exchange has been designated the DEA, the Exchange is authorized to grant extensions of time under sections 220.4(c)(3)(ii) and 220.8(d) of Regulation T adopted by the Board of Governors of the Federal Reserve System as well as under Commission Rule 15c3-3(n).

(c) The margin which must be maintained in margin accounts of customers shall be as follows:

- (1) 25% of the current market value of all securities "long" in the account; plus
- (2) \$2.50 per share or 100% of the current market value, whichever amount is greater, of each stock "short" in the account selling at less than \$5.00 per share; plus
- (3) \$5.00 per share or 30% of the current market value, whichever amount is greater, of each stock "short" in the account selling at \$5.00 per share or above; plus
- (4) 5% of the principal amount or 30% of the current market value, whichever amount is greater, of each bond "short" in the account.

#### **Rule 11.6.2. Day Trading Margin**

(a) The term "day trading" means the purchasing and selling of the same security on the same day. A "day trader" is any customer whose trading shows a pattern of day trading.

(b) Whenever day trading occurs in a customer's margin account the margin to be maintained shall be the margin on the "long" or "short" transaction, whichever occurred first, as required pursuant to Exchange Rule 11.6.1(c). When day trading occurs in the account of a day trader, the margin to be maintained shall be the margin on the "long" or "short" transaction, whichever occurred first, as required for initial margin by Regulation T of the Board of Governors of the Federal Reserve System, or as required pursuant to Exchange Rule 11.6.1(c), whichever amount is greater.

(c) No ETP Holder shall permit a public customer to make a practice, directly or indirectly, of effecting transactions in a cash account where the cost of securities purchased is met by the sale of the same securities. No ETP Holder shall permit a public customer to make a practice of selling securities with them in a cash account which are to be received against payment from another broker- dealer where such securities were purchased and are not yet paid for.

#### **Section 5. Trading Practice Rules**

*References to the term ETP Holder in Section 5 to Rule 11 also mean Associated Persons of ETP Holders.*

### **Rule 11.12.1. Market Manipulation**

No ETP Holder shall execute or cause to be executed or participate in an account for which there are executed purchases of any security at successively higher prices, or sales of any security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security on the Exchange or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

### **Rule 11.12.2. Fictitious Transactions**

No ETP Holder, for the purpose of creating or inducing a false or misleading appearance of activity in a security traded on the Exchange or creating or inducing a false or misleading appearance with respect to the market in such security shall:

- (a) execute any transaction in such security which involves no change in the beneficial ownership thereof, or
- (b) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of such security, has been or will be entered by or for the same or different parties, or
- (c) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

### **Rule 11.12.3. Excessive Sales by an ETP Holder**

No ETP Holder shall execute purchases or sales of any security traded on the Exchange for any account in which such ETP Holder is directly or indirectly interested, which purchases or sales are excessive in view of the ETP Holder's financial resources or in view of the market for such security.

### **Rule 11.12.4. Manipulative Transactions**

- (a) No ETP Holder shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.
- (b) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of a security shall be deemed to be a manipulative operation.
- (c) The solicitation of subscriptions to or the acceptance of discretionary orders from any

such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

(d) The carrying on margin of a position in such security or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

#### **Rule 11.12.5. Dissemination of False Information**

No ETP Holder shall make any statement or circulate and disseminate any information concerning any security traded on the Exchange which such ETP Holder knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

#### **Rule 11.12.6. Reserved**

#### **Rule 11.12.7. Joint Activity**

No ETP Holder, directly or indirectly, shall hold any interest or participation in any joint account for buying or selling in a security traded on the Exchange, unless such joint account is promptly reported to the Exchange. The report should contain the following information for each account: (1) the 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) the name of the ETP Holder carrying and clearing the account; and (4) a copy of any written agreement or instrument relating to the account.

#### **Rule 11.12.8. Influencing the Consolidated Tape**

No ETP Holder shall attempt to execute a transaction or transactions to buy or sell a security for the purpose of influencing any report appearing on the Consolidated Tape.

#### **Rule 11.12.9. Options**

(a) No ETP Holder shall initiate the purchase or sale on the Exchange for its own account, or for any account in which it is directly or indirectly interested, of any stock of any issuer in which it holds or has granted any put, call, straddle or option; provided, however, that this prohibition shall not be applicable in respect of any option issued by The Options Clearing Corporation.

(b) No ETP Holder acting as an odd-lot dealer shall become interested directly or indirectly, in a pool dealing or trading in the stock of any issuer in which it is an odd-lot dealer, nor shall it acquire or grant directly or indirectly, any option to buy or sell, receive or deliver shares of stock of any issuer in which such ETP Holder is an odd-lot dealer, unless such option is issued by The Options Clearing Corporation.

### **Rule 11.12.10. Best Execution**

In executing customer orders, an ETP Holder is not a guarantor of "best execution" but must use the care of a reasonably prudent person in the light of all circumstances deemed relevant by the ETP Holder and having regard for the ETP Holder's brokerage judgment and experience.

#### ***Commentary:***

.01 As part of an ETP Holder's fiduciary obligation to provide best execution for its customer limit orders, the ETP Holder shall refer to, and comply with, Rule 604 of Regulation NMS.

### **Rule 11.12.11. Prearranged Trades**

No ETP Holder 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.

## **Section 6. Harmonized Conduct Rules**

### **Rule 11.2111. Suitability**

(a) Exchange ETP Holders and Associated Persons of an ETP Holder shall comply with FINRA Rule 2111, which is incorporated by reference herein, as if such Rule were part of the Exchange's rules.

(b) For purposes of Rule 11.2111:

- (1) References to FINRA Rule 2111 shall be construed as references to Rule 11.2111;
- (2) References to "FINRA's Rules" shall be construed as references to "Exchange Rules" and
- (3) References to FINRA Rule 2214 shall be disregarded, and no comparable Exchange rule shall apply to activities of ETP Holders in connection with investment analysis tools.

### **Rule 11.2210 Communications with the Public**

ETP Holders and Associated Persons of ETP Holders shall comply with FINRA Rule 2210, which is incorporated by reference herein, as if such Rule were part of the Exchange's rules. References to FINRA Rule 2210 shall be construed as references to Rule 11.2210.

### **Rule 11.2232. Customer Confirmations**

ETP Holders and Associated Persons of ETP Holders shall comply with FINRA Rule 2232, which is incorporated by reference herein, as if such Rule were part of the Exchange's rules. References to FINRA Rule 2232 shall be construed as references to Rule 11.2232.

### **Rule 11.3310. Anti-Money Laundering Compliance Program**

ETP Holders and Associated Persons of ETP Holders shall comply with FINRA Rule 3310, which is incorporated by reference herein, as if such Rule were part of the Exchange's rules. References to FINRA Rule 3310 shall be construed as references to Rule 11.3310.

### **Rule 11.5220. Disruptive Quoting and Trading Activity Prohibited**

(a) No ETP Holder or Persons Associated with an ETP Holder shall engage in or facilitate disruptive quoting and trading activity on the Exchange, including acting in concert with other persons to effect such activity.

(b) For purposes of this rule, disruptive quoting and trading activity shall include a frequent pattern in which the following facts are present:

(1) Disruptive Quoting and Trading Activity Type 1:

- (A) a party enters multiple limit orders on one side of the market at various price levels (the "Displayed Orders"); and
- (B) following the entry of the Displayed Orders, the level of supply and demand for the security changes; and
- (C) the party enters one or more orders on the opposite side of the market of the Displayed Orders (the "Contra-Side Orders") that are subsequently executed; and
- (D) following the execution of the Contra-Side Orders, the party cancels the Displayed Orders.

(2) Disruptive Quoting and Trading Activity Type 2:

- (A) a party narrows the spread for a security by placing an order inside the NBBO; and
- (B) the party then submits an order on the opposite side of the market that executes against another market participant that joined the new inside market established by the order described in paragraph (A).

(c) **Applicability.** For purposes of this Rule, disruptive quoting and trading activity shall include a frequent pattern in which the facts listed above are present. Unless otherwise indicated, the order of the events indicating the pattern does not modify the applicability of the Rule. Further, disruptive quoting and trading activity includes a pattern or practice in which all of the quoting and trading activity is conducted on the Exchange as well as a pattern or practice in which some portion of the quoting or trading activity is conducted on the Exchange and the other portions of the quoting or trading activity is conducted on one or more other exchanges.

### **Rule 11.5320. Prohibition Against Trading Ahead of Customer Orders**

(a) Except as provided herein, an ETP Holder that accepts and holds an order in an equity security from its own customer or a customer of another broker-dealer without immediately executing the order is prohibited from trading that security on the same side of the market for its own account at a price that would satisfy the customer order, unless it immediately thereafter executes the customer order up to the size and at the same or better price at which it traded for its own account.

(b) An ETP Holder must have a written methodology in place governing the execution and priority of all pending orders that is consistent with the requirements of this Rule and FINRA Rule 5310, which is incorporated by reference herein. An ETP Holder also must ensure that this methodology is consistently applied.

#### ***Commentary:***

**.01 Large Orders and Institutional Account Exceptions.** With respect to orders for customer accounts that meet the definition of an "institutional account" as defined in FINRA Rule 4512(c), which is incorporated by reference herein, or for orders of 10,000 shares or more (unless such orders are less than \$100,000 in value), an ETP Holder is permitted to trade a security on the same side of the market for its own account at a price that would satisfy such customer order, provided that the ETP Holder has provided clear and comprehensive written disclosure to such customer at account opening and annually thereafter that:

- (a) discloses that the ETP Holder may trade proprietarily at prices that would satisfy the customer order, and
- (b) provides the customer with a meaningful opportunity to opt in to the Rule 11.5320 protections with respect to all or any portion of its order.

If the customer does not opt in to the Rule 11.5320 protections with respect to all or any portion of its order, the ETP Holder may reasonably conclude that such customer has consented to the ETP Holder trading a security on the same side of the market for its own account at a price that would satisfy the customer's order.

In lieu of providing written disclosure to customers at account opening and annually thereafter, an ETP Holder may provide clear and comprehensive oral disclosure to and obtain consent from the customer on an order-by-order basis, provided that the ETP Holder documents who provided such consent and such consent evidences the customer's understanding of the terms and conditions of the order.

#### **.02 No-Knowledge Exception**

- (a) With respect to NMS Stocks, if an ETP Holder implements and utilizes an effective system of internal controls, such as appropriate information barriers, that operate to prevent one trading unit from obtaining knowledge of customer orders held by a separate trading unit, those other trading units trading in a proprietary capacity may continue to trade at prices that would satisfy the customer orders held by the separate trading unit. An ETP Holder that structures its order handling practices in NMS Stocks to permit its market-making desk to trade at prices that would satisfy customer orders held by a separate trading unit must disclose in writing to its customers, at account opening and annually thereafter, a description of the manner in which customer orders are handled by the ETP Holder and the circumstances under which the ETP Holder may trade proprietarily at its market-making desk at prices that would satisfy the customer order.
- (b) If an ETP Holder implements and utilizes appropriate information barriers in reliance on this exception, the ETP Holder must uniquely identify such information barriers as prescribed in FINRA Rule 7440(b)(19), which is incorporated by reference in Rule 6.7440.

**.03 Riskless Principal Exception.** The obligations under this Rule shall not apply to an ETP Holder's proprietary trade if such proprietary trade is for the purposes of facilitating the execution, on a riskless principal basis, of an order from a customer (whether its own customer or the customer of another broker-dealer) (the "facilitated order"), provided that the ETP Holder:

- (a) submits a report, contemporaneously with the execution of the facilitated order, identifying the trade as riskless principal to the Exchange (or another self-regulatory organization if not required under Exchange rules); and
- (b) has written policies and procedures to ensure that riskless principal transactions for which the ETP Holder is relying upon this exception comply with applicable Exchange rules. At a minimum these policies and procedures must require that the customer order was received prior to the offsetting principal transaction, and that the offsetting principal transaction is at the same price as the customer order exclusive of any markup or markdown, commission equivalent or other fee and is allocated to a riskless principal or customer account in a consistent manner and within 60 seconds of execution.



An ETP Holder must have supervisory systems in place that produce records that enable the ETP Holder and the Exchange to reconstruct accurately, readily, and in a time-sequenced manner all facilitated orders for which the ETP Holder relies on this exception.

**.04 ISO Exception.** An ETP Holder shall be exempt from the obligation to execute a customer order in a manner consistent with this Rule with regard to trading for its own account that is the result of an intermarket sweep order routed in compliance with Rule 600(b)(30)(ii) of SEC Regulation NMS ("ISO") where the customer order is received after the ETP Holder routed the ISO. Where an ETP Holder routes an ISO to facilitate a customer order and that customer has consented to not receiving the better prices obtained by the ISO, the ETP Holder also shall be exempt with respect to any trading for its own account that is the result of the ISO with respect to the consenting customer's order.

**.05 Odd Lot and Bona Fide Error Transaction Exceptions.** The obligations under this Rule shall not apply to an ETP Holder's proprietary trade that is (1) to offset a customer order that is in an amount less than a normal unit of trading; or (2) to correct a bona fide error. An ETP Holder is required to demonstrate and document the basis upon which a transaction meets the bona fide error exception.

**.06 Minimum Price Improvement Standards.** The minimum amount of price improvement necessary for an ETP Holder to execute an order on a proprietary basis when holding an unexecuted limit order in that same security, and not be required to execute the held limit order is as follows:

- (a) For customer limit orders priced greater than or equal to \$1.00, the minimum amount of price improvement required is \$0.01 for NMS Stocks;
- (b) For customer limit orders priced greater than or equal to \$0.01 and less than \$1.00, the minimum amount of price improvement required is the lesser of \$0.01 or one-half (1/2) of the current inside spread;
- (c) For customer limit orders priced less than \$0.01 but greater than or equal to \$0.001, the minimum amount of price improvement required is the lesser of \$0.001 or one-half (1/2) of the current inside spread;
- (d) For customer limit orders priced less than \$0.001 but greater than or equal to \$0.0001, the minimum amount of price improvement required is the lesser of \$0.0001 or one-half (1/2) of the current inside spread;
- (e) For customer limit orders priced less than \$0.0001 but greater than or equal to \$0.00001, the minimum amount of price improvement required is the lesser of \$0.00001 or one-half (1/2) of the current inside spread;
- (f) For customer limit orders priced less than \$0.00001, the minimum amount of price

improvement required is the lesser of \$0.000001 or one-half (1/2) of the current inside spread; and

- (g) For customer limit orders priced outside the best inside market, the minimum amount of price improvement required must either meet the requirements set forth above or the ETP Holder must trade at a price at or inside the best inside market for the security.

In addition, if the minimum price improvement standards above would trigger the protection of a pending customer limit order, any better-priced customer limit order(s) must also be protected under this Rule, even if those better-priced limit orders would not be directly triggered under the minimum price improvement standards above.

**.07 Order Handling Procedures.** An ETP Holder must make every effort to execute a marketable customer order that it receives fully and promptly. An ETP Holder that is holding a customer order that is marketable and has not been immediately executed must make every effort to cross such order with any other order received by the ETP Holder on the other side of the market up to the size of such order at a price that is no less than the best bid and no greater than the best offer at the time that the subsequent order is received by the ETP Holder and that is consistent with the terms of the orders. In the event that an ETP Holder is holding multiple orders on both sides of the market that have not been executed, the ETP Holder must make every effort to cross or otherwise execute such orders in a manner that is reasonable and consistent with the objectives of this Rule and with the terms of the orders. An ETP Holder can satisfy the crossing requirement by contemporaneously buying from the seller and selling to the buyer at the same price.

**.08 Trading Outside Normal Market Hours.** An ETP Holder generally may limit the life of a customer order to the period of normal market hours of 9:30 a.m. to 4:00 p.m. Eastern Time. However, if the customer and ETP Holder agree to the processing of the customer's order outside normal market hours, the protections of this Rule shall apply to that customer's order(s) at all times the customer order is executable by the ETP Holder.

## **RULE 12 ARBITRATION**

### **Rule 12. General.**

(a) General. The Rule 12000 Series and the Rules 13000 Series of the FINRA Manual (Code of Arbitration Procedures for Customer Disputes and Code of Arbitration for Industry Disputes) (the "FINRA Code of Arbitration") as the same may be in effect from time to time, and which is incorporated by reference herein, will govern Exchange arbitrations excepted as specified in this Rule. Definitions in the FINRA Code of Arbitration will have the same meaning as that prescribed therein, and procedures contained in the FINRA Code of Arbitration will have the same application as towards Exchange arbitrations.

(b) Jurisdiction. Any dispute, claim, or controversy arising out of or in connection with

the business of any ETP Holder, or arising out of the employment or termination of employment of Associated Person(s) with any ETP Holder may be arbitrated under this Rule except that:

- (1) a dispute, claim, or controversy alleging employment discrimination (including a sexual harassment claim) in violation of a statute may only be arbitrated if the parties have agreed to arbitrate it after the dispute arose; and
- (2) any type of dispute, claim, or controversy that is not permitted to be arbitrated under the FINRA Code of Arbitration (such as class action claims) shall not be eligible for arbitration under this Rule.

(c) **Predispute Arbitration Agreements.** The requirements of FINRA Rule 2268, which is incorporated by reference herein, shall apply to predispute arbitration agreements between ETP Holders and their customers.

(d) **Referrals.** If any matter comes to the attention of an 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 federal securities laws, the arbitrator may initiate a referral of the matter to the Exchange for disciplinary investigation; provided, however, that any such referral should only be initiated by an arbitrator after the matter before him has been settled or otherwise disposed of, or after an award finally disposing of the matter has been rendered pursuant to Rule 12904 or 13904 (as applicable) of the FINRA Code of Arbitration.

(e) **Payment of Awards.** Any ETP Holder, or Person Associated with an ETP Holder, who fails to honor an award of arbitrators appointed in accordance with this Rule shall be subject to disciplinary proceedings in accordance with the Rule 10.9000 Series.

(f) **Other Exchange Actions.** The submission of any matter to arbitration under this Rule shall in no way limit or preclude any right, action or determination by the Exchange which it would otherwise be authorized to adopt, administer or enforce.

## **RULE 13 LIABILITY OF DIRECTORS AND EXCHANGE**

### **Rule 13.1. Liability of Directors**

Any provision of the Certificate of Incorporation, Bylaws or the Rules of the Exchange that provides or purports to provide that the members of the Board of Directors shall not be liable to the Exchange or its ETP Holders for monetary damages for breach of fiduciary duty as a Manager shall not be applied in any instance in which such liability arises directly or indirectly as a result of a violation of federal securities laws.

### **Rule 13.2. Liability of 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 successors, representatives or customers thereof, 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 underlying securities, 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 and 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, excluding the Options Linkage system, whereby the Exchange assumes responsibility for the transmission or execution of the order, provided that the Exchange has received such order, the Exchange'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 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 during a single calendar month based on the proportion that each such claim bears to the sum of all such claims.

(d) All claims for compensation pursuant to paragraph (b) of this rule shall be in writing. Written notice of such claims must be submitted no later than noon Eastern Time on the next business day following the day on which the use or enjoyment of the Exchange's facilities gave rise to such claims.

### **Rule 13.3. Legal Proceedings Against Exchange Directors, Officers, Employees or Agents**

No ETP Holder or any other Associated Person shall institute a lawsuit or other legal proceeding against any Directors, 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 Bylaws of the Exchange. This Rule shall not apply to appeals of disciplinary actions or other actions by the Exchange as provided for in the Rules.

### **Rule 13.4. 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 Exchange actions or in any specific instance where the Board of Directors has granted a waiver of this Rule.