

Additions underlined
Deletions [bracketed]

NYSE Rules

* * * * *

Rule 107D. Institutional Liquidity Program

(a) Definitions.

(1) Institutional Liquidity Order. An Institutional Liquidity Order or “ILO” is a non-displayed limit order for NYSE-listed securities of 5,000 or more shares with a market value of at least \$50,000, or a child order of a recorded parent order instruction that meets such size requirements. An ILO, whether it constitutes a child order or an entire order, must intend to establish, increase, liquidate, or decrease a position in the subject security and may not be part of an expression of two-sided interest on the part of the account originating the order. A size-eligible ILO or the recorded parent order instruction from which a size-ineligible ILO is derived must be held by a single member organization, and size may not be aggregated across multiple member organizations to satisfy the above size requirement. If a member organization has a size-eligible recorded parent order instruction, the member organization may send child orders to other member organizations to be submitted into the Program as ILOs. Member organizations receiving such size ineligible child orders may rely on the member organization holding the recorded parent order instruction with respect to the size eligibility of the recorded parent order instruction from which the child order is derived. For purposes of the size requirement in this subparagraph, size must be measured at the time of entry of the ILO or the recording of the parent order instruction. An ILO, or recorded parent order instruction, that meets the minimum size requirement and receives a partial execution that reduces its size to below the minimum size requirement is not size ineligible. An ILO, or recorded parent order instruction, will be size ineligible if the size of the ILO or recorded parent order instruction is reduced to below the minimum size requirement because of a partial cancellation.

(A) An ILO may be designated Immediate or Cancel or entered as a Reserve Order, in which case the order or any residual unexecuted portion remains executable against contra-side interest in accordance with this Rule.

(B) An ILO may be designated with a Minimum Triggering Volume (“MTV”) requirement that must be met before the order is executed. An MTV is an optional order parameter designating a minimum amount of

shares of a security for which the ILO will attempt to execute if there is sufficient contra-side OLO and/or ILO interest available at the ILO's limit price or better. An ILO considers the volume on the Exchange book and, if designated Type 2, away markets in order to satisfy its MTV requirement. If the MTV requirement cannot be met by contra-side OLO and/or ILO interest, the ILO so designated will not participate in an execution, and will be canceled or rest non-displayed on the Exchange book, pursuant to Rule 107D(c). However, an ILO will execute even though the execution size is less than the MTV if the MTV is met by available contra-side interest at the time the ILO attempts to execute.

(C) An ILO may not trade through a protected quotation.

(D) A member organization submitting ILOs must maintain policies and procedures reasonably designed to ensure that the requirements of subparagraph (a)(1) are satisfied and maintain records sufficient to reconstruct in a time-sequenced manner all orders routed to the Exchange as an ILO, including how recorded parent order instructions that meet the minimum size requirement relate to child order ILOs. In particular, if a member organization is sending ILOs for its own account, it must have written policies and procedures that reflect how it documents that it has a recorded parent order that meets the above requirements. In addition, a member organization may presume that an account's intent to establish, increase, liquidate, or decrease a position is bona fide absent concrete indications to the contrary. Where circumstances indicate that an account does not intend to establish the required position, member organizations should make reasonable inquiry and follow up appropriately. Such circumstances may include, but are not be limited to, order and cancellation patterns apparently designed to produce a spread-trading or market-making result. A member organization receiving a size ineligible child order may rely on another member organization with respect to the size eligibility of the recorded parent order instruction from which the child order is derived, and the member organization receiving the child order is not responsible for the failure of the recorded parent order instruction to meet the requirements of the Program absent circumstances indicating the reliance was unreasonable.

(E) The Exchange may prohibit a member organization from accessing the Program for submitting size ineligible orders or failing to maintain policies and procedures in accordance with subparagraph (a)(1)(D).

(2) Oversize Liquidity Order. An Oversize Liquidity Order ("OLO") is a non-displayed limit order for NYSE-listed securities with a minimum size of 500 shares for securities with a consolidated Average Daily Volume ("ADV") of one million shares or greater, or a minimum size of 300 shares for securities with an ADV of less than one million shares. An OLO that meets the minimum size

requirement and receives a partial execution that reduces its size to below the applicable minimum size requirements is still eligible to interact with incoming ILOs. An OLO will be size ineligible if the size of the OLO is reduced below the minimum size requirement because of a partial cancellation. An OLO may be priced at, inside, or outside the PBBO, or as non-displayed Primary Pegging Interest pursuant to Rule 13. OLOs are ranked according to price-size-time priority. OLOs may interact only with ILOs.

(3) Program. The term “Program” means the Institutional Liquidity Program described in Rule 107D.

(b) Liquidity Identifier. A Liquidity Identifier (“LI”) shall be disseminated through proprietary data feeds or as appropriate through the Consolidated Quotation System when an OLO or ILO resides in Exchange systems. The LI shall reflect the symbol for the particular security, but shall not include the price, side (buy or sell), or size of the OLO or ILO interest.

(c) Institutional Liquidity Order Designation. A member organization can designate how an ILO interacts with available contra-side interest as follows:

(1) Type 1. A Type 1-designated ILO interacts, at each price level, first with displayed interest in Exchange systems, then available contra-side OLOs and/or ILOs in size-time priority, and then with any remaining non-displayed interest in Exchange systems, except a Type 1-designated ILO will not trade through a protected quotation. A Type 1-designated ILO will not route to away markets. Any remaining portion of the ILO will be cancelled if designated as a Regulation NMS-compliant Immediate or Cancel Order pursuant to Rule 13, or if designated as a Reserve Order, rest on the Exchange book and be available to interact with other incoming contra-side OLOs, ILOs, and other available interest in Exchange systems but will not trade through a protected quotation.

(2) Type 2. A Type 2-designated ILO interacts, at each price level, first with displayed interest in Exchange systems, then available contra-side OLOs and/or ILOs in size-time priority, and then with any remaining non-displayed interest in Exchange systems and routes to away markets as necessary to avoid trading through a protected quotation. Any remaining portion of the ILO will be cancelled if designated as an NYSE Immediate or Cancel Order pursuant to Rule 13, or if designated as a Reserve Order, rest on the Exchange book and be available to interact with other incoming contra-side OLOs, ILOs, and other available interest in Exchange systems. A non-displayed, Type 2-designated ILO resting on the Exchange book routes to away markets as necessary to avoid trading through a protected quotation.

(d) Priority and Allocation

OLOs and ILOs in the same security are ranked and allocated according to price, then size, then time of entry into Exchange systems. The size priority of OLOs and ILOs is based upon their initial size at time of entry; however, any partial cancels of OLOs or ILOs reduces their original size for priority purposes by an equal amount. As such, when an ILO or OLO is partially cancelled, its size priority will be redetermined based on its new size; however, the ILO or OLO will maintain its time priority. Displayed liquidity has priority over equally priced ILOs and OLOs. An incoming ILO executes first against displayed interest, then against contra-side ILOs and OLOs, and finally against any non-displayed interest in Exchange systems. Any remaining unexecuted ILO interest will remain available to interact with other incoming OLOs and/or ILOs if such interest is at an eligible price unless the order is designated IOC.

Examples of priority and order allocation are as follows:

Example 1

PBBO for security ABC is \$9.99-\$10.05

OLO 1 is entered to buy ABC at \$10.00 for 5,000

OLO 2 is then entered to buy ABC at \$10.00 for 5,000

OLO 3 is then entered to buy ABC at \$10.00 for 4,000

An incoming Type 1-designated ILO to sell ABC for 10,000 executes first against OLO 1's bid for 5,000, because it is the largest best-priced bid entered first in time, then against OLO 2's bid for 5,000, because it is the next largest best-priced bid. OLO 3 is not filled because the entire size of the ILO to sell 10,000 is depleted.

Assume the same facts as above. An incoming Type 1-designated ILO to sell ABC for 13,800 with an MTV of 10,000 will execute first against OLO 1's bid for 5,000, because it is the largest best-priced bid entered first in time, then against OLO 2's bid for 5,000, because it is the next largest best-priced bid. OLO 3 then receives an execution for 3,800 of its 4,000, at which point the entire size of the ILO to sell 13,800 is depleted. Note that the MTV requirement is met by the aggregate level of contra-side interest, even though no individual OLO satisfied the ILO's MTV requirement. Additionally, OLO 3 will still be available to interact with an incoming ILO since its original quantity was above the minimum size requirements.

Assume the same facts above, except that OLO 2's bid to buy ABC at \$10.00 is for 2,000. An incoming Type 1-designated ILO to sell 10,000 executes first against OLO 1's bid for 5,000, because it is the largest best-priced bid, then against OLO 3's bid for 4,000, because it is the next largest best-priced bid. OLO 2 then receives an execution for 1,000 of its 2,000, at which point the entire size of the ILO to sell 10,000 is depleted.

Additionally, assume the same facts above, except that OLO 3's bid to buy 4,000 is priced at \$10.01 and there is also an additional OLO entered to buy at \$10.00 for 4,000 (OLO 4). An incoming Type 1-designated ILO to sell 11,000 executes first against OLO 3's bid for 4,000, because it is the best-priced bid. OLO 1 then receives an execution for 5,000, because it is the largest next-best-priced bid, and was entered ahead of OLO 2. OLO 2 then receives an execution for 2,000, leaving 3,000 unexecuted shares, at which point the entire size of the ILO is depleted. Next, another incoming Type 1-designated ILO to sell 3,000 executes against OLO 2 for 3,000 since its original quantity was 5,000, which is greater than the size of OLO 4 at 4,000. Using this same example, assume prior to the second ILO arriving, a partial cancel was sent in for OLO 2 to reduce its quantity by 2,000. The second arriving ILO would execute against OLO 4, since by partially canceling 2,000, OLO 2 would have its original quantity decremented to 3,000, making OLO 4 larger.

Finally, assume the same facts above, except that after OLO 3 is entered, ILO 1 is entered to buy ABC at \$10.00 for 10,000 with an MTV of 5,000. An incoming Type 1-designated ILO to sell 15,000 executes first against ILO 1 because it is the largest best-priced bid and the number of shares available exceeds ILO 1's MTV of 5,000. OLO 1 then receives an execution for 5,000, because it is the next largest best-priced bid, and was entered ahead of OLO 2, at which point the entire size of the ILO to sell 15,000 is depleted.

Example 2

PBBO for security ABC is \$10.00-10.05

O1 is a limit order and the Exchange Best Bid at \$10.00 for 1,000

OLO 1 is entered to buy ABC at \$10.01 for 5,000

OLO 2 is then entered to buy ABC at \$10.00 for 5,000

An incoming Type 1-designated ILO to sell ABC for 6,000 executes first against OLO 1 because it is the best-priced bid, then against O1's bid for 1,000. O1 receives priority over OLO 2 because O1 is a displayed order on the Exchange. OLO 2 remains available to interact with incoming ILOs.

Example 3

PBBO for security ABC is \$10.00-10.05

O1 is a limit order and is the Exchange Best Bid quoted at \$10.00 for 1,000

O2 is a limit order to buy and is dark at \$10.00 for 4,000

O3 is a limit order to buy and is displayable at \$9.99 for 2,000

OLO 1 is entered to buy ABC at \$10.00 for 4,000

OLO 2 is then entered to buy ABC at \$9.99 for 4,000

There is a 100 share away market Bid at \$10.00

An incoming Type 2-designated ILO to sell ABC for 12,000 executes first against O1, the Exchange Best Bid, for 1,000 at \$10.00 because it is the best-priced displayed liquidity, then against OLO 1 for 4,000 because it is the best-priced bid in the Program and liquidity in the Program has priority over nondisplayed liquidity, then against O2 for 4,000 because it is the best-priced nondisplayed liquidity. The ILO then sweeps to \$9.99, first routing 100 shares to the away market bid at \$10.00. At \$9.99, the ILO executes first against O3 for 2,000 because it is the best-priced displayed liquidity, then against OLO 2 for 900 because it is the best-priced bid in the Program.

(e) Rule Pilot Program. This rule will operate for a pilot period of twelve months from the date of implementation, which will occur no later than 90 days after Commission approval of Rule 107D. The Program will expire on [Date will be determined upon adoption of Rule 107D].