

Additions underscored

Deletions [bracketed]

* * * * *

Rule 2. "Member," "Membership," "Member Firm," etc.

* * * * *

(i) The term "Designated Market Maker" ("DMM") shall mean an individual member, officer, partner, employee or associated person of a Designated Market Maker Unit who is approved by the Exchange to act in the capacity of a DMM.

(j) The term "DMM unit" is a member organization or unit within a member organization that has been approved to act as a DMM unit under Rule 98.

* * * * *

Rule 7. ["Exchange Ticket"] Exchange BBO

The term "Exchange BBO" shall refer to the best bid or offer disseminated to the Consolidated Quotation System ("CQS") by the Exchange.

Rule 13. Definitions of Orders

* * * * *

[Percentage Order

A limited price order to buy (or sell) 50% of the volume of a specified stock after its entry. There are four types of percentage orders:

(a) Straight Limit Percentage Orders—Such an order is elected when a transaction has occurred at the limit price or a better price. Unless otherwise specified, only volume at or below the limit subsequent to the receipt of the order will be applied in determining the elected portion of buy orders. Conversely, only volume at or above the limit will be calculated in determining the elected portion of sell orders.

(b) Last Sale Percentage Orders—The elected portion of an order designated "last sale" shall be executed only at the last sale price or at a better price, provided that such price is at or better than the limit specified in the order. If the order is further designated "last sale—cumulative volume", the elected portion shall be placed on the Display Book[®] at the price of the electing sale, but if not executed, shall be cancelled and re-entered on the

Display Book[®] at the price of the subsequent transactions on the Exchange, provided the price of such subsequent transactions is at or better than the limit specified in the order.

(c) "Buy Minus"— "Sell Plus" Percentage Orders—The elected portion of an order to "buy minus" shall be executed only on a "minus" or "zero minus" tick. Orders of this type must also be qualified further by designating a limit price. The elected portion of an order to "sell plus" shall be executed only on a "plus" or "zero plus" tick. Orders so designated are handled in the same manner as an order to sell short. (See Rule 123A.71) Orders of this type must also be further qualified by designating a limit price.

If so instructed by the entering broker(s), percentage orders to buy will be converted into regular limit orders for transactions effected on "minus" or "zero minus" ticks. Conversely, if so instructed by the entering broker(s), percentage orders to sell will be converted into regular limit orders for transactions effected on "plus" or "zero plus" ticks.

If further instructed by the entering broker(s), as provided in Rule 123A.30, percentage orders to buy may be converted into regular limit orders for transactions on "plus" or "zero plus" ticks. Conversely, if so instructed by the entering broker(s), percentage orders to sell may be converted into regular limit orders for transactions on "minus" or "zero minus" ticks.

(See also Rule 123A.30.)

(d) "Immediate Execution or Cancel Election" Percentage Orders—The elected portion of a percentage order with this designation is to be executed immediately in whole or in part at the price of the electing transaction. Any elected portion not so executed shall be deemed cancelled, and shall revert to its status as an unelected percentage order and be subject to subsequent election or conversion.

The converted portion of an immediate execution or cancel election percentage order that is convertible on a destabilizing tick (a "CAP-DI order") and which is systemically delivered to the Display Book[®] will be eligible to be automatically executed in accordance with, and to the extent provided by, Exchange Rules 1000- 1004, consistent with the order's instructions.]

* * * * *

Reserve Order Types

[(a) A limit order with a portion of the size displayed and with a portion of the size (reserve size) that is not displayed, but is to be used to replenish the displayed size when executions of the displayed size reduce the displayed portion below the size designated to be displayed. A Reserve Order must have a minimum of one round lot of reserve interest displayed at that price. A new time-stamp is created for the replenished portion of a Reserve Order each time it is replenished from reserve, while the reserve portion retains the time-stamp of its original entry.

(b) At the Exchange best bid or offer ("Exchange BBO"), the reserve portion of a Reserve Order is available for execution only after all displayed interest has been executed. If an execution takes place at a price that is other than the Exchange BBO, all available interest of a Reserve Order will trade on parity with all other interest at that price point, except that specialist interest must yield to Reserve Order interest.

(c) The provisions of sections (a) and (b) above will be in effect during a pilot program to end no later than September 30, 2008.]

(a) As used in this rule, the term "displayable" shall mean that portion of a non-marketable Reserve Order that would be published as, or as part of, the Exchange BBO. The term "displayed interest" includes that part of a Reserve Order that is published as, or as part of, the Exchange BBO.

(b) The term "Reserve Order" shall mean a limit order entered into Exchange systems that may contain displayable and non displayable interest.

(c) Minimum Display Reserve Order

A "Minimum Display Reserve Order" is a limit order that shall have a portion of the interest displayed when the order is or becomes the Exchange BBO and a portion of the interest (reserve interest) that is not displayed. When executions of the displayed interest reduce that portion below the interest designated to be displayed, the reserve interest will replenish the displayed interest. A Minimum Display Reserve Order must have a minimum of one round lot displayable. Each time a Minimum Display Reserve Order is replenished from reserve interest, a new time-stamp is created for the replenished portion of that Minimum Display Reserve Order, while the reserve interest retains the time-stamp of its original entry. The portion of the interest displayed when the order is or becomes the Exchange BBO is included in the information available for dissemination by the DMM pursuant to Exchange Rule 115.

(d) Non Displayed Reserve Order

A "Non Displayed Reserve Order" is a limit order that is not displayed, but remains available for potential execution against all incoming automatically executing orders until executed in full or cancelled.

(e) The reserve interest of a Non Displayed Reserve Order is available for execution only after all displayable interest at that price point has been executed. If an execution takes place at a price that is other than the Exchange BBO, all available reserve interest of a Reserve Order will trade on parity with other reserve interest at that price point after all displayable interest has been executed in accordance with Rule 72. For executions that take place at a price point other than the Exchange BBO, reserve interest will not replenish the displayable portion of a Minimum Display Reserve Order.

* * * * *

.10 Unless he obtains the prior approval of a Floor Official to decline to accept an order, a specialist must accept any order as defined in this Rule that is given to him for execution, with the exception of a not held order, which the specialist may not accept under any circumstances. In any case where the specialist has obtained the approval of a Floor Official to decline to accept a particular type of order, the specialist shall notify all brokers who had previously entered similarly defined orders that their orders are no longer in effect and the specialist shall obtain cancellations of all such orders.

* * * * *

Rule 15. Pre-Opening Indications

(a) Whenever an Exchange [specialist] DMM, in arranging an opening transaction on the Exchange in any security, anticipates that the opening transaction on the Exchange will be at a price that represents a change from the security's previous day's closing price on the Exchange (except as described in section (b) below) of more than the "applicable price change" (as defined below), the [specialist] DMM shall issue a pre-opening indication, which includes the security and the price range within which the [specialist] DMM anticipates the opening transaction will occur. The "applicable price changes" are:

Exchange	Applicable Price Change
Closing Price	(More Than)
Under \$20.00	\$0.50
\$20 - \$49.99	\$1.00
\$50.00 - \$99.99	\$2.00
\$100 - \$500	\$5.00
Above \$500	1.5%

* * * * *

Rule 35. Floor Employees To Be Registered

* * * * *

• • • *Supplementary Material:* -----

* * * * *

.40 Personnel available to [specialist] DMM units on the Floor.—Each [specialist] DMM unit shall have: (1) at least one [Floor] employee [with a Regular ticket] approved by the Exchange for admittance to the Floor for every Post space assigned to the unit, and (2) an adequate number of [Floor] additional approved employees [with Special tickets] to provide proper service during the trading day [the absence of Floor employees with Regular tickets].

Each [specialist] DMM unit having insufficient office personnel available for the Floor in an emergency situation shall, within such reasonable period of time as the Exchange shall determine, make arrangements with other [specialists]DMMs or with its clearing firm to assure that proper service will be rendered to members and member organizations should an emergency situation arise.

Rule 36. Communications Between Exchange and Members' Offices

* * * * *

• • • *Supplementary Material:* -----

* * * * *

.30 [Specialist] DMM Unit Post Wires—

With the approval of the Exchange, a [specialist] DMM unit may maintain a telephone line at its stock trading post location to the off-Floor offices of the [specialist] DMM unit or the unit's clearing firm. Such telephone connection shall not be used for the purpose of transmitting to the Floor orders for the purchase or sale of securities, but may be used to enter options or futures hedging orders through the unit's off-Floor office or the unit's clearing firm, or through a member (on the floor) of an options or futures exchange as permitted under Rules 98 and 105. A [specialist] DMM unit may also maintain wired or wireless devices that have been registered with the Exchange, such as computer terminals or laptops, to communicate only with the system employing the algorithms and with individual algorithms. The wired or wireless device will enable the [specialist] DMM unit to activate or deactivate the system employing the algorithms or an individual algorithm or change such system's pre-set parameters. In addition, a [specialist] DMM unit registered in an Investment Company Unit (as defined in Section 703.16 of the Listed Company Manual), or a Trust Issued Receipt (the "receipt") as that term is defined in Rule 1200 may use a telephone connection or order entry terminal at the [specialist's] DMM unit's post to enter a proprietary order in the Unit or receipt in another market center, in a Component Security of such a Unit or receipt, or in an options or futures contract related to such Unit or receipt, and may use the post telephone to obtain market information with respect to such Units, receipts, options, futures, or Component Securities. If the order in the Component Security of the Unit or receipt is to be executed on the Exchange, the order must be entered and executed in compliance with Exchange Rule 112.20 and SEC Rule 11a2-2(T), and must be entered only for the purpose of hedging a position in the Unit or receipt.

Each [specialist] DMM unit [firm] shall certify in the time, frequency, and manner as prescribed by [the Exchange] NYSE Regulation that its wired or wireless device used to communicate with the system employing the [firm's] unit's algorithms or an individual algorithm operates in accordance with all SEC and Exchange rules, policies, and procedures.

In addition, [specialist] DMM units [firms] must create and maintain records of all messages generated by the [firm's] unit's wired or wireless devices to communicate with the system employing the [firm's] unit's algorithms in compliance with NYSE Rule 440 and SEC Rules 17a-3 and 17a-4. Such records must be maintained in the format prescribed by [the Exchange] NYSE Regulation.

* * * * *

Rule 46A. Executive Floor Governors

* * * * *

(b) Executive Floor Governors shall comprise [consist of] (i) at least two registered [specialists] DMMs, each of whom spends a substantial part of his or her time on the Floor of the Exchange or supervising DMMs; and (ii) at least two Floor brokers, each of whom spends a majority of his or her time on the Floor of the Exchange executing transactions on the Floor of the Exchange for other than his or her own account or the account of his or her member organization or supervising Floor brokers. Executive Floor Governors assist in the administration of the rules regarding trading on the Exchange and any facility thereof.

* * * * *

Rule 48. Exemptive Relief — Extreme Market Volatility Condition

(a) In the event that extremely high market volatility is likely to have a Floor-wide impact on the ability of [specialists] DMMs to arrange for the fair and orderly opening of trading at the Exchange and that absent relief, the operation of the Exchange is likely to be impaired, a qualified Exchange officer may declare an extreme market volatility condition with respect to trading on or through the facilities of the Exchange.

(b) In the event that an extreme market volatility condition is declared with respect to trading on or through the facilities of the Exchange, a qualified Exchange officer shall be empowered to suspend (i) the need for prior Floor Official or prior NYSE Floor operations approval to open a security at the Exchange and/or (ii) applicable requirements to make pre-opening indications in a security. Such suspension is subject to the following provisions:

(1)(a) Before declaring an extreme market volatility condition, the qualified Exchange officer shall consider the facts and circumstances that are likely to have Floor-wide impact for a particular trading session, including volatility in the previous day's trading session, trading in foreign markets before the open, substantial activity in the futures

market before the open, the volume of pre-opening indications of interest, evidence of pre-opening significant order imbalances across the market, government announcements, news and corporate events, and such other market conditions that could impact Floor-wide trading conditions.

(b) Such review shall be undertaken in consultation with relevant officials of NYSE Market and NYSE Regulation, as appropriate. Following the review, the qualified Exchange officer or his or her designee shall document the basis for declaring an extreme market volatility condition.

(2) The qualified Exchange officer will make a reasonable effort to consult with the staff of the Securities and Exchange Commission before declaring an extreme market volatility condition and granting a suspension of the NYSE rules or procedures. In the event that the qualified Exchange officer cannot reach the Commission staff, the qualified Exchange officer will, as promptly as practicable in the circumstances, inform the Commission staff of such declaration, the basis for such declaration, and what relief has been granted.

(3) An extreme market volatility condition may only be declared before the scheduled opening or reopening following a market-wide halt of securities at the Exchange.

(4) A declaration of an extreme market volatility condition shall be in effect only for the trading session on the particular day that the extreme market volatility condition is determined to exist. The Exchange may declare a separate extreme market volatility condition on subsequent days subject to sections (b)(1) through (b)(3) above.

(5) A declaration of extreme market volatility shall not relieve [specialists] DMMs from the obligation to make pre-opening indications in situations where the opening of a security is delayed for reasons unrelated to the extreme market volatility condition.

(c) For purposes of this Rule, a "qualified Exchange officer" means the Chief Executive Officer of NYSE Euronext, Inc., or his or her designee, or the Chief Executive Officer of NYSE Regulation, Inc., or his or her designee.

* * * * *

Rule 52. Dealings on the Exchange—Hours

Dealings on the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business; and no member shall make any bid, offer or transaction on the Exchange, or issue a commitment to trade through ITS from the Exchange, before or after those hours, except that a [specialist] DMM may issue and receive pre-opening notifications and pre-opening responses, pursuant to the provisions of the Plan Rule 15 (Pre-Opening Indications) relating to the Pre-Opening Application of the System, before the official opening of the Exchange and loans of money or securities may be made after the official closing of the Exchange.

* * * * *

[§240.11Ac1-1. Dissemination of Quotations

Explanatory Note re Rule 60: On January 26, 1978, the Securities and Exchange Commission adopted, effective August 1, 1978 Rule 11Ac1-1 governing the dissemination of quotations for "reported securities". This rule requires all national securities exchanges and associations to establish procedures for collecting from their members bids, offers and quotation sizes with respect to reported securities, and for making such bids, offers and sizes available to quotation vendors. The rule also requires that quotation information made available to vendors be "firm", subject to certain exceptions. Exchange Rule 60, below, relates to SEC Rule 11Ac1-1 and the provisions thereof.

For ease of reference, the complete text of SEC Rule 11Ac1-1 is reproduced below. Further information relating to this rule is contained in SEC Release No. 34-14415, dated January 26, 1978.

(a) Definitions, For purposes of this section,

(1) The term "third market maker" shall mean any broker or dealer who holds himself out as being willing to buy and sell a reported security for his own account on a regular and continuous basis otherwise than on a national securities exchange in amounts of less than block size (including any such broker or dealer who also represents, as agent, orders to buy or sell reported securities on behalf of any other person and communicates bids and offers to a national securities association ("association") pursuant to this section on behalf of such other persons as well as for his own account).

(2) The term "exchange market maker" shall mean any member of a national securities exchange ("exchange") who is registered as a specialist or market maker pursuant to the rules and regulations of such exchange.

(3) The term "responsible broker or dealer" shall mean

(i) when used with respect to bids or offers communicated on the floor of an exchange, any member of such exchange who communicates to another member on the floor of such exchange, at the location (or locations) designated by such exchange for trading in a reported security, a bid or offer for such reported security, as either principal or agent; provided, however, that, in the event two or more members of an exchange have communicated on the floor of such exchange bids or offers for a reported security at the same price, each such member shall be considered a "responsible broker or dealer" with respect to that bid or offer, subject to the rules of priority and precedence then in effect

on that exchange; and further provided that, with respect to a bid or offer which is transmitted from one member of an exchange to another such member who undertakes to represent such bid or offer on the floor of such exchange as agent, only the last such member who undertakes to represent such bid or offer as agent shall be considered the "responsible broker or dealer" with respect to that bid or offer; and

(ii) when used with respect to bids and offers communicated by a third market maker to another broker or dealer or to a customer otherwise than on an exchange, the third market maker communicating the bid or offer (regardless of whether such bid or offer is for his own account or on behalf of another person).

(4) The term "quotation vendor" shall mean any securities information processor engaged in the business of disseminating to brokers, dealers or investors on a real-time or current and continuing basis, bids and offers made available pursuant to this section, whether distributed through an electronic communications network or displayed on a terminal or other display device.

(5) The terms "plan processor" and "effective transaction reporting plan" shall have the meaning provided in §240.11Aa3-1 (Rule 11Aa3-1 under the Act).

(6) The term "reported security" shall mean any security or class of securities for which transaction reports are collected, processed and made available pursuant to an effective transaction reporting plan.

(7) The term "make available," when used with respect to bids, offers, quotation sizes and aggregate quotation sizes supplied to quotation vendors by an exchange or association, shall mean to provide circuit connections at the premises of the exchange or association supplying such data, or at a common location determined by mutual agreement of the exchanges and associations, for the delivery of such data to quotation vendors.

(8) The terms "bid" and "offer" shall mean the bid price or the offer price most recently communicated by an exchange member or third market maker to any broker or dealer, or to any customer, at which he is willing to buy or sell one or more round lots of a reported security, as either principal or agent, but shall not include indications of interest.

(9) The terms "published bid" and "published offer" shall mean the bid or offer (as the case may be) of a responsible broker or dealer for a reported security communicated by him to his exchange or association pursuant to this section and displayed by a quotation vendor on a terminal or other display device at the time an order is presented for execution to such responsible broker or dealer.

(10) The term "quotation size," when used with respect to a responsible broker's or dealer's bid or offer for a reported security, shall mean (i) the number of shares (or units of trading) of that reported security which such responsible broker or dealer has specified, for purposes of dissemination to quotation vendors, that he is willing to buy at the bid price or sell at the offer price comprising his bid or offer, as either principal or

agent, or (ii) in the event such responsible broker or dealer has not so specified, a normal unit of trading for that reported security.

(11) The term "published quotation size" shall mean the quotation size of a responsible broker or dealer communicated by him to his exchange or association pursuant to this section and displayed by a quotation vendor on a terminal or other display device at the time an order is presented for execution to such responsible broker or dealer.

(12) The term "aggregate quotation size" shall mean the sum of the quotation sizes of all responsible brokers or dealers who have communicated on the floor of an exchange bids or offers for a reported security at the same price.

(13) The term "published aggregate quotation size" shall mean the aggregate quotation size calculated by an exchange and displayed by a quotation vendor on a terminal or other display device at the time an order is presented for execution to a responsible broker or dealer.

(14) The term "odd-lot" shall mean an order for the purchase or sale of a reported security in an amount less than a normal unit of trading.

(15) The term "specified persons," when used in connection with any notification required to be provided pursuant to paragraphs (b)(3)(i) and (b)(3)(ii) of this section, shall mean:

(i) each quotation vendor;

(ii) every plan processor; and

(iii) the processor for the Options Price Reporting Authority (in the case of a notification with respect to a reported security which is a class of securities underlying options admitted to trading on any exchange).

(b) Dissemination requirements for exchanges and associations.

(1) Every exchange and association shall establish and maintain procedures and mechanisms for collecting bids, offers, quotation sizes and aggregate quotation sizes from responsible brokers or dealers who are members of such exchange or association (as the case may be), processing such bids, offers and sizes, and making such bids, offers and sizes available to quotation vendors, as follows:

(i) Every exchange shall, at all times such exchange is open for trading, collect, process and make available to quotation vendors the highest bid and the lowest offer communicated on the floor of that exchange (or, in the event such exchange maintains more than one trading floor, communicated on any of such floors) by any responsible broker or dealer (excluding any such bid or offer which is executed immediately after communication and any such bid or offer communicated by a responsible broker or dealer other than an exchange market maker which is cancelled or withdrawn if not executed immediately after communication) for each reported security listed or admitted to

unlisted trading privileges on that exchange except during any period when trading in that security has been suspended or halted, or prior to the commencement of trading in that security on any trading day, on that exchange;

(ii) Every association shall, at all times last sale information with respect to reported securities is reported pursuant to an effective transaction reporting plan, collect, process and make available to quotation vendors the highest bid and lowest offer communicated otherwise than on the floor of an exchange by each member of such association acting in the capacity of a third market maker for a reported security and the identity of that member (excluding any such bid or offer which is executed immediately after communication), except during any period when over-the-counter trading in that security has been suspended; and

(iii) Every bid and offer made available to quotation vendors by an exchange or association pursuant to this section shall be accompanied by the quotation size or the aggregate size (as the case may be) associated with it.

(2) Each exchange shall, with respect to each published bid and published offer representing a bid or offer of a member, establish and maintain procedures for ascertaining and disclosing to other members of that exchange, upon presentation of orders sought to be executed by them in reliance upon paragraph (c)(2) of this section, the identity of each responsible broker or dealer who made such bid or offer and the quotation size associated with it.

(3)

(i) If, at any time an exchange is open for trading, such exchange determines, pursuant to rules and regulations approved by the Securities and Exchange Commission pursuant to Section 19(b)(2) of the Act, that the level of trading activity or the existence of unusual market conditions is such that the exchange is incapable of collecting, processing and making available to quotations vendors the data with respect to a reported security required to be made available pursuant to paragraph (b)(1) of this section in a manner which accurately reflects the current state of the market on the floor of such exchange, such exchange shall immediately notify all specified persons of that determination. Upon such notification, responsible brokers or dealers who are members of that exchange shall be relieved of their obligation under paragraph (c)(2) of this section and such exchange shall be relieved of its obligations under paragraph (b)(1) and (2) of this section with respect to that security; provided, however, that such exchange shall continue, to the maximum extent practicable under the circumstances, to collect, process and make available to quotation vendors such data for that security in accordance with paragraph (b)(1) of this section.

(ii) During any period an exchange, or any responsible broker or dealer who is a member of that exchange, is relieved of any obligation imposed by this section with respect to any reported security by virtue of a notification made pursuant to paragraph (b)(3)(i) of this section, such exchange shall monitor the activity or conditions which formed the basis for such notification and shall immediately renotify all specified persons when that exchange

is once again capable of collecting processing and making available to quotation vendors the data with respect to that security required to be made available pursuant to paragraph (b)(1) of this section in a manner which accurately reflects the current state of the market on the floor of such exchange. Upon such renotification, any exchange or responsible broker or dealer which had been relieved of any obligation imposed by this section as a consequence of the prior notification shall again be subject to such obligation.

(4) Nothing in this section shall preclude any exchange or association from making available to quotation vendors indications of interest at any time or bids and offers with respect to a reported security at any time such exchange or association is not required to do so pursuant to paragraph (b)(1) of this section.

(c) Obligations of responsible brokers and dealers.

(1) Every responsible broker or dealer shall promptly communicate to his exchange or association (as the case may be), pursuant to procedures established by that exchange or association, his bids, offers and quotation sizes.

(2) Subject to the provisions of paragraph (c)(3) of this section, every responsible broker or dealer shall be obligated to execute any order to buy or sell a reported security, other than an odd-lot order, presented to him by another broker or dealer, or any other person belonging to a category of persons with whom such responsible broker or dealer customarily deals, at a price at least as favorable to such buyer or seller as the bid price or offer price comprising such responsible broker's or dealer's published bid or published offer (exclusive of any commission, commission equivalent or differential customarily charged by such responsible broker or dealer in connection with execution of any such order) in any amount up to his published quotation size.

(3)

(i) If, (A) prior to the presentation of an order for the purchase or sale of a reported security, a responsible broker or dealer has communicated to his exchange or association (as the case may be), pursuant to paragraph (c)(1) of this section, a quotation size superseding his published quotation size (a "revised quotation size"), or, (B) at the time an order for the purchase or sale of a reported security is presented, a responsible broker or dealer is in the process of effecting a transaction in such reported security, and, immediately after the completion of such transaction, he communicates to his exchange or association (as the case may be) a revised quotation size, such responsible broker or dealer shall not be obligated by paragraph (c)(2) of this section to purchase or sell a reported security in an amount greater than such revised quotation size.

(ii) No responsible broker or dealer shall be obligated to execute a transaction for any reported security as provided in paragraph (c)(2) of this section if,

(A) before the order sought to be exercised is presented, such responsible broker or dealer has communicated to his exchange or association (as the case may be) pursuant to paragraph (c)(1) of this section, a bid or offer superseding his published bid or published offer (a "revised bid or offer"); or

(B) at the time the order sought to be executed is presented, such responsible broker or dealer is in the process of effecting a transaction in such reported security, and, immediately after the completion of such transaction, such responsible broker or dealer communicates to his exchange or association (as the case may be) pursuant to paragraph (c)(1) of this section, a revised bid or offer;

provided, however, that such responsible broker or dealer shall nonetheless be obligated to execute any such order in such reported security as provided in paragraph (c)(2) of this section at his revised bid or offer in any amount up to his published quotation size or revised quotation size (as the case may be).

(d) Exemptions

The Commission may exempt from the provisions of this section, either unconditionally or on specified terms and conditions, any responsible broker or dealer, exchange, or association if the Commission determines that such exemption is consistent with the public interest, the protection of investors and the removal of impediments to and perfection of the mechanism of a national market system.]

Rule 60. Dissemination of Quotations

(a)

[(1)] **(i)** For purposes of this rule, the terms "[quotation] vendor", "bid", "offer", "[reported] NMS security", "quotation size", "published bid", "published offer", "published quotation size", "make publicly available", "aggregate quotation size" and "specified persons" shall have the meaning given to them in Section 242.602 ("Rule 602") of Regulation National Market System ("Reg. NMS"), 17 CFR Part 242 [SEC Rule 11Ac1-1].

[(2)] **(ii)** For the purposes of this rule and Rule 602 of Reg. NMS [SEC Rule 11Ac1-1] as applied to the Exchange and its members [on the Floor], the term "responsible broker or dealer" shall mean, with respect to any bid or offer for any [reported] NMS security made available by the Exchange to[quotation] vendors, the [specialist] member or member organization who enters a bid or offer in such [reported] NMS security, [who shall be the responsible broker or dealer] to the extent of the quotation size [he] such member or member organization specifies.

(b) Each member or member organization who is a responsible broker or dealer [on the Floor] shall, in addition to meeting [his] the obligations as set forth in paragraph [(c)] **(b)** of Rule 602 of Reg. NMS [SEC Rule 11Ac1-1] as applicable to such member or member organization under this rule, also abide by such rules and procedures adopted by the Exchange, in order to enable the Exchange to meet its quotation dissemination requirements under paragraph **(a)** of Rule 602 of Reg. NMS [(b) of SEC Rule 11Ac1-1] as applicable to the Exchange under this rule.

(c) With respect to paragraph (a) of Rule 602 of Reg. NMS [(b) of SEC Rule 11Ac1-1], the Exchange shall, at all times it is open for trading, collect, process and make available to quotation vendors the highest bid and the lowest offer, and the quotation size or the aggregate quotation size associated therewith, in each [reported] NMS security in accordance with paragraphs [(e) and (g)] (d) and (f) below (excluding any such bid or offer which is executed immediately after being made in the crowd and any such bid or offer which is canceled or withdrawn if not executed immediately after being made) except during any period when trading in such reported security has been suspended or halted, or prior to the commencement of trading in such [reported] NMS security on any trading day. Bids and offers on the Exchange, and associated quotation sizes and aggregate quotations sizes, shall be collected, processed and made available to [quotation] vendors as follows:

[(1)] (i) Normal Mode—Unless otherwise designated pursuant to the provisions of subparagraphs (c)[(2)](ii), the market [on the Floor] for each [reported] NMS security shall be considered to be in a "normal mode". While such market is in a normal mode, [only the specialist shall determine the size to be communicated to the Reporter and] the member or member organization who enters a bid or offer into Exchange systems shall be deemed the "responsible broker or dealer" with respect to any bid or offer made available by the Exchange to [quotation] vendors.

[(2) (a)] (ii)(A) Non-Firm Mode—With respect to subparagraph [(b)] (a)(3) of Rule 602 of Reg. NMS [SEC Rule 11Ac1-1], a Floor Governor, Senior Floor Official, or Executive Floor Official (or two Floor Officials in the event a Floor Governor, Senior Floor Official, or Executive Floor Official is not available) shall have the power to determine that the level of trading activity or the existence of unusual market conditions are such that the Exchange is incapable of collecting, processing and making available to [quotation] vendors bids, offers and quotation sizes with respect to one or more [reported] NMS securities in a manner which accurately reflects the current state of the market [on the Floor]. Such officials are sometimes referred to in this subparagraph [(2)] as the "Initiating Official(s)". Upon making of such a determination, the [specialist] Initiating Official(s) shall designate the market in such security to be in a "non-firm mode", which shall remain in effect for a period not to exceed 30 minutes pending review as described below.

[(b)] (B) When the Exchange quotation is not available for automatic execution because of a liquidity replenishment point, gap quote or the manual reporting of a block-sized transaction pursuant to Rules 1000(a)(iii), (iv) and (v), the Exchange will identify the quotation with an indicator signifying that it is non-firm.

Whenever [a Floor Governor, Senior Floor Official, or Executive Floor Official or two Floor Officials] an Initiating Official(s) make any such determination with respect to any [reported] NMS security, [he or they] such Initiating Official(s) shall immediately notify the Market Surveillance Division of [the Exchange] NYSE Regulation, Inc. During any period that the market in an [reported] NMS security is in a non-firm mode, members on the Floor shall be relieved of their obligations under Rule 602 of Reg. NMS [SEC Rule 11Ac1-1] as applicable to such members under this Rule 60 with respect to such

[reported] NMS security, but the [specialist] Exchange shall report bids and offers or revised bids and offers in such [reported] NMS security, for publication, on a "best efforts" basis.

During any period that the market in an [reported] NMS security is in a non-firm mode, the Initiating Official(s) shall monitor the activity or condition [which] that formed the basis for [his or their] the determination. No more than 30 minutes after such market has been designated to be in a non-firm mode, the [specialist] Initiating Official(s) shall review the condition of such market [with the Initiating Official(s)]. [In the event that the Initiating Official(s) are not available, the specialist shall review such condition with another Floor Governor, Senior Floor Official, or Executive Floor Official (or two Floor Officials if a Floor Governor, Senior Floor Official, or Executive Floor Official is not available).] Continuation of the non-firm mode for longer than 30 minutes shall require the reaffirmation of the [reviewing Floor Governor, Senior Floor Official, or Executive Floor Official or Floor] Initiating Officials. Such review and reaffirmation shall occur not less frequently than every 30 minutes thereafter while the non-firm mode is in effect.

When the Exchange is once again capable of collecting, processing and making available to [quotation] vendors bids, offers, quotations sizes and aggregate quotation sizes with respect to an [reported] NMS security that is in a non-firm mode in a manner [which] that accurately reflects the current state of the market on the Floor, the Initiating Official(s) or, in the event he or they are not available, another Floor Governor, Senior Floor Official, or Executive Floor Official (or two Floor Officials if a Floor Governor, Senior Floor Official, or Executive Floor Official is not available) shall immediately renotify the Market Surveillance Division and the [specialist in such reported security] Initiating Official(s) shall designate the market therein to be in a normal mode. Members on the Floor shall thereupon once again be obligated under [SEC Rule 11Ac1-1] Rule 602 under Reg. NMS as applicable to such members under this Rule 60 with respect to such [reported] NMS security.

[(d) In addition, the Exchange may disseminate a "liquidity bid" (at a price and size below the highest bid) and/or a "liquidity offer" (at a price and size above the lowest offer). The liquidity bid and liquidity offer shall reflect all trading interest represented in the highest bid and lowest offer, as well as trading interest (represented by orders on the specialist's book, members in the Crowd, and the specialist as dealer) executable at prices down to (in the case of a liquidity bid) the liquidity bid price, or up to (in the case of a liquidity offer) the liquidity offer price. Depending on market conditions in any particular security, the highest bid or offer and the liquidity bid or offer may be the same. The liquidity bid and offer shall be "firm quotations" available for orders to trade with. The specialist shall be the "responsible broker-dealer," for all liquidity bids and offers. The Exchange shall not disseminate a liquidity bid or offer during any period when trading in the subject security has been suspended or halted, or prior to the commencement of trading in such security on any trading day. The provisions of Rule 60(c)(1) and (2) shall be applicable to liquidity bids and liquidity offers.

(i) Execution of Market Orders When Liquidity Bid or Offer Is Disseminated

In the case of a market order to sell of a size greater than the highest bid size, the order shall be executed against such highest bid (or crossed by the specialist if agent for the order) with the balance of the order being executed (to the extent possible based on the size of the liquidity bid) at the higher of the liquidity bid price or the price at which orders on the book would not be traded-through. Auction market crossing procedures should be followed, as appropriate, to ensure proper execution of orders. The same principles apply in the case of a market order to buy.

(ii) Execution of Limit Orders When Liquidity Bid or Offer Is Disseminated

In the case of a limit order to sell whose size is greater than the highest bid size, but which is limited to a price executable at or above the liquidity bid price, the order shall be executed first against the highest bid price (or crossed by the specialist if agent for the order), with the balance of the order being executed (to the extent possible based on the size of the liquidity bid) within its limit price at a price at which orders on the book would not be traded-through. Auction market crossing procedures should be followed, as appropriate, to ensure proper execution of orders. The same principles apply in the case of a limit order to buy.]

(d)[(e)] Autoquoting of highest bid/lowest offer [and automated adjustment of size of liquidity bid and offer]. The Exchange will autoquote the NYSE's highest bid or lowest offer to reflect non-marketable limit orders, Floor broker agency interest (also referred to as "e-Quotes") pursuant to the provisions of Rule[70.20(c)(ii)] 70(a)(ii) , Floor broker proprietary interest (also referred to as "G-quotes") pursuant to provisions of Section 11(a)(1)(G) of the Securities Exchange Act of 1934 as amended, and [specialist] DMM interest (also referred to as "s-Quotes") pursuant to the provisions of Rule 104(d)(i) whenever it is at a price higher (lower) than the previously disseminated highest (lowest) bid (offer). When the NYSE's highest bid or lowest offer has been traded with in its entirety, the Exchange will autoquote a new bid or offer reflecting the total size of orders at the next highest (in the case of a bid) or lowest (in the case of an offer) price. [The size of any liquidity bid or offer shall be systemically increased to reflect any additional limit orders transmitted to the Display Book[®] at prices ranging from the liquidity bid or offer price to the highest bid (lowest offer). The size of any liquidity bid or offer shall be systematically decreased to reflect the execution of any limit orders on the specialist's Display Book[®] at prices ranging from the liquidity bid or offer price to the highest bid (lowest offer). However, de minimis increases or decreases in the size of limit orders on the Display Book[®], as determined by the specialist, will not result in automated augmenting or decrementing of the size of the liquidity bid or offer where such bid or offer continues to reflect the actual size of limit orders on the Display Book[®].]

(i) Autoquote will be suspended when (A) the [specialist] DMM has gapped the quotation in accordance with Exchange policies and procedures, (B) a block-size transaction as defined in Rule 127.10 that involves orders on the Display Book[®] is being reported manually or (C) a liquidity replenishment point ("LRP") as defined in Exchange Rule 1000(a)(iv) has been reached, except as provided in [(iv)(c)] (ii)(C) , below.

(ii)

(A) After the [specialist] DMM has gapped the quotation, autoquote will resume with a manual transaction or the publication of a non-gapped quotation.

(B) Autoquote will resume immediately after the report of a block-size transaction involving orders on the Display Book[®].

(C) Autoquote will resume as soon as possible after [a] an LRP, as defined in Exchange Rule 1000(a)(iv)(A) has been reached, but in no more than [five to] ten seconds, unless the unfilled balance of an automatically executing order is able to trade at a price above (below) the LRP and the price creates a locked or crossed market. In such case, autoquote will resume with a manual transaction, consistent with Section 242.604 of Regulation NMS, 17 CFR Part 242 (the "Limit Order Protection Rule") and Exchange Rule 79A.15.

(iii) In the following situations, even though automatic executions are suspended pursuant to Rule 1000(a), autoquote will update the quote:

[(a)] (A) When the Exchange best bid (offer) is such that it is outside [a] an LRP and such LRP has not yet been reached.

[(b)] (B)

[(i)] (I) When an order or cancellation of an order arrives that would not result in a locked or crossed market in a security whose price on the Exchange is \$1000 or more ("high-priced" security) or a manual execution takes place in such security.

[(ii)] (II) When cancellation of the Exchange best bid (offer) in a high-priced security arrives whenever the Display Book[®] in such security is internally locked or crossed and autoquoting of the next best bid (offer) would create a locked or crossed market on the Exchange, [100 shares] one round lot at the bid (offer) price that existed at the time of the cancellation will be autoquoted.

[(c)] (C) When autoquote is suspended pursuant to paragraph [(e)] (d)(i)(C), above, and automatic executions are suspended pursuant to Rule 1000(a), autoquote will update the quote as follows:

[(i)] (I) if part of the existing Exchange best bid (offer) cancels, the remaining volume associated with such bid (offer) will be autoquoted.

[(ii)] (II) if the entire existing Exchange best bid (offer) cancels, [100 shares] one round lot at the bid (offer) price that existed at the time of the cancellation will be autoquoted.

[(iii)] (III) if there is a cancellation of the Exchange best bid (offer) whenever the Display Book is internally locked or crossed and autoquoting of the next best bid (offer) would create a locked or crossed market on the Exchange, [100 shares] one round lot at the bid (offer) price that existed at the time of the cancellation will be autoquoted.

(e)(f) In addition to meeting its obligations as set forth in paragraph [(b) of SEC Rule 11Ac1-1] (a) of Rule 602 of Reg. NMS as applicable to the Exchange under this Rule 60, the Exchange shall make available to [quotation] vendors and shall communicate to other specified persons the appropriate mode identifier in effect as to each [reported] NMS security [which] that shall, in the case of the initiation and termination of non-firm modes, effect the requisite notification and re-notification of specified persons under subparagraph [(b)] (a)(3) of Rule 602 of Reg. NMS [SEC Rule 11Ac1-1].

[(g)] (f)

[(1)] (i) [Each specialist] The Exchange shall promptly report in each [reported] NMS security [in which he is registered] the highest bid and lowest offer made [in the trading crowd] in such security and the associated quotation size that [he] the Exchange wishes to make available to [quotation] vendors.

[(2)] (ii) Each [specialist] member or member organization who is a responsible broker or dealer on the Floor shall:

[(i)] (A) promptly report as to the [reported] NMS security whenever a bid, offer or quotation size [he] previously reported is to be revised; and

[(ii)] (B) promptly report as to the [reported] NMS security whenever a bid and/or offer [he] previously reported is to be cancelled or withdrawn.

• • • *Supplementary Material:* -----

.10 No [specialist] member or member organization shall be deemed to be a responsible broker or dealer with respect to a published bid or offer that is erroneous as a result of an error or omission made by the Exchange or any [quotation] vendor. [If a published bid or published offer is accurate but the published quotation size (or published aggregate quotation size, as the case may be) associated with it is erroneous as a result of an error or omission made by the Exchange or any quotation vendor, then the specialist who is responsible for the published bid or published offer shall be obligated to the extent set forth in paragraph (c) of Rule 11Ac1-1 but only to the extent of one unit of trading in the reported security in question.]

.20 While the market for a reported security is in a "normal mode", the [specialist] member or member organization that made the bid or offer shall honor any bid or offer then being displayed by [quotation] vendors which is erroneous, up to the quotation size then being so displayed, which has been displayed for six minutes or more on the Price Display Unit at the post. Provided, however, that [the specialist] such member or member organization shall not be required to honor such a bid or offer which is erroneous as to either price or size or both if:

(i) as a matter of record, an execution, cancellation or update of such bid or offer was in effect or in process;

(ii) in honoring such a bid or offer, the resulting transaction would violate applicable Exchange rules or federal regulations;

(iii) equipment failure prevents the [specialist] member or member organization from monitoring such bid or offer; or

(iv) the price sought upon such quotation is above the current bid or below the current offer, on the Floor, by (a) one-half point or more in the case of a reported security trading at \$50 or less or (b) one point or more in the case of a reported security trading at more than \$50.

Rule 61. Recognized Quotations

* * * * *

• • • *Supplementary Material:* -----

* * * * *

.30 An order [which] that includes one or more trading units and an amount less than one trading unit may be [presented to the specialist] entered on an Exchange system for execution, but the amount that is less than one unit of trading shall be processed and executed by means of the Exchange's odd-lot pricing system and shall not be printed on the tape.

* * * * *

Rule 63. "When Issued"— "When Distributed"

* * * * *

• • • *Supplementary Material:* -----

.10 "When issued" and "when distributed" orders.—When dealings in a stock on a "when issued" or "when distributed" basis are suspended, and dealings of the same stock are continued on a "regular way" basis, all orders [in the hands of the specialists and odd-lot dealers] for the purchase or sale of the stock on a "when issued" or "when distributed" basis will expire at the close of business on the day before such dealings on a "when issued" or "when distributed" basis are suspended, unless otherwise directed by the Exchange.

* * * * *

Rule 70. [Bids and Offers] Execution of Floor Broker Interest

[When a bid is clearly established, no bid or offer at a lower price shall be made. When an offer is clearly established, no offer or bid at a higher price shall be made.]

All bids made and accepted, and all offers made and accepted, in accordance with Exchange Rules shall be binding.

• • • *Supplementary Material* -----

.10 Any bid which is made at the same or higher price of the prevailing offer shall result in a transaction at the offer price in an amount equal to the lesser of the bid or offer. The same principle shall apply when an offer is made at the same or lower price as the bid.]

[.20]

(a)

(i) With respect to orders he is representing on the Floor, a Floor broker may place within the Display Book[®] system broker agency interest files (also referred to as e-QuotesSM) at multiple price points on both sides of the market at, or outside the Exchange [best bid and offer] BBO with respect to each security trading in the location(s) comprising the Crowd such Floor broker is a part of with respect to orders he or she is representing on the Floor, except that the agency interest files shall not include unelected stop orders [or any customer interest that restricts the specialist's ability to be on parity pursuant to Exchange Rules 104.10(5)(i)(a)(I)(d) and 108(a)].

(ii) The requirement that a Floor broker be in the Crowd in order to have agency interest files does not apply to orders governed by Section 11(a)(1)(G) of the Securities Exchange Act of 1934 ("G" orders, also referred to as G-Quotes, when submitted as a Floor broker agency interest file).

[(b) All Floor broker agency interest placed within files in the Display Book[®] system at the same price and on the same side shall be on parity with each other, except agency interest that establishes the Exchange [best bid or offer] BBO shall be entitled to priority in accordance with Exchange Rule 72. No Floor broker agency interest placed within files in the Display Book[®] system shall be entitled to precedence based on size.]

[(c) (b)]

(i) Floor broker agency interest placed within files in the Display Book[®] system shall become part of the quotation when it is at or becomes the Exchange [best bid or offer] BBO and shall be executed in accordance with Exchange Rule 72. Floor broker agency interest [(also referred to as e-QuotesSM)] placed within files shall be automatically executed, in accordance with, and to the extent provided by, Exchange Rules 1000-1004.

(ii) A Floor broker shall have the ability to maintain undisplayed reserve interest consistent with Exchange rules governing Reserve Orders [at the Exchange best bid and offer provided that a minimum of one round-lot of the broker's agency interest is displayed at that price].

(iii) [After] If an execution involving a Floor broker's agency interest at the Exchange BBO [best bid or offer that] does not exhaust the broker's interest at that price, the displayed interest will be automatically replenished from his or her reserve interest, if any, so that at least one round-lot of the broker's interest is displayed consistent with Exchange rules governing Reserve Orders.

[(iv) An automatically executing order will trade first with the displayed bid (offer) and if there is insufficient displayed volume to fill the order, will trade next with reserve interest, if any, including specialist reserve interest. All reserve interest will trade on parity.]

[(e)] (c) A Floor broker may trade on behalf of his or her orders as part of the Crowd at the same price and on the same side of the market as his or her agency interest placed within files only to the extent that the volume traded in the Crowd is not included in the agency interest files.

[(f)] (d) A Floor broker's agency interest files must be cancelled when he or she leaves the Crowd, except that a Floor broker may leave the Crowd without canceling his or her agency interest files to recharge his or her handheld device. In addition, Floor brokers may leave the Crowd without canceling his or her agency interest files [("e-Quotes")] to obtain "market looks" in securities located at panels that are part of another Crowd. Failure to adhere to these provisions is a violation of Exchange rules. The Floor broker shall be held to all executions involving his or her agency interest files.

[(g)] (e) The aggregate number of shares of agency interest in the files at each price shall be made available to the [specialist] DMM. A Floor broker has discretion to exclude all of his or her agency interest, subject to the provisions below, from the aggregated agency interest information available to the [specialist] DMM consistent with Exchange rules governing Reserve Orders.

[(h)] (f)(i) Floor [B]broker agency interest excluded from the aggregated agency interest information available to the [specialist] DMM is able to participate in automatic executions and not in manual executions.

(ii) Floor broker agency interest that is not excluded from the aggregated agency interest information available to the DMM is able to participate in automatic executions and in

manual executions. [Specialists, trading assistants and anyone acting on their behalf are prohibited from using the Display Book[®] system to access information about Floor broker agency interest excluded from the aggregated agency interest other than for the purpose of effecting transactions that are reasonably imminent where such Floor broker agency interest information is necessary to effect such transaction.]

[(i)](g) The Floor broker is the executing broker for transactions involving his or her agency interest files.

[(j)] (h)

(i) Floor broker agency interest placed within files may participate in the opening and closing trades in accordance with Exchange policies and procedures governing the open.

(ii) Floor broker agency interest may be placed within files prior to the opening trade, regardless of the Floor broker's location on the Floor, provided they have complied with the requirements of Rule 123(e). However, Floor brokers must be in the Crowd at the open in order to participate in the opening trade and any agency interest entered prior to the open in securities that are not part of such Crowd must be cancelled before the open.

[(k)] (i)

[(i)] The ability of a Floor broker to have reserve interest will be available during the open and during the close. The ability of a Floor broker to exclude volume from aggregated agency interest information available to the [specialist] DMM will not be available during the open and the close. Floor broker agency interest will not be excluded from the aggregate agency interest information available to the [specialist] DMM during a manual execution.

[(l)] (j) Nothing in this rule shall be interpreted as modifying or relieving the Floor broker from his or her agency obligations and required compliance with all SEC and Exchange rules, policies and procedures.

••• Supplementary Material -----

.25 Discretionary Instructions for Bids and Offers Represented via Floor Broker Agency Interest Files (e-QuotesSM)

(a)

(i) A Floor broker may enter discretionary instructions as to size and/or price with respect to his or her e-Quotes ("discretionary e-Quotes" or "d-Quotes"). The discretionary instructions relate to the price at which the d-Quote may trade and the number of shares to which the discretionary price instructions apply.

(ii) Discretionary instructions are active [only] when the e-Quote is at or joins the existing Exchange best bid or best offer, [or] would establish a new Exchange [best bid or offer] BBO, and at the opening and closing transactions.

(iii) Discretionary instructions are active [only] with respect to automatic executions except at the opening and closing transactions. [Discretionary instructions are not active with respect to the opening and closing transactions.]

* * * * *

(d) Executions of Discretionary e-Quotes

(i) The goal of discretionary e-Quoting is to secure the largest execution for the d-Quote, using the least amount of price discretion. In so doing, d-Quotes may often improve the execution price of incoming orders. Conversely, if no discretion is necessary to accomplish a trade, none will be used.

[(**A**) Future executions that may occur, such as those resulting from the execution of elected contra-side CAP-DI orders, will not be considered in determining when, and to what extent, price discretion is necessary to accomplish a trade.]

(ii) Discretionary e-Quotes will automatically execute against a contra-side order that enters the Display Book[®] system if the order's price is within the discretionary price range and the order's size meets any minimum or maximum size requirements that have been set for the d-Quote.

(iii) Discretionary e-Quotes from different Floor brokers on the same side of the market with the same price instructions trade on parity [after interest entitled to priority is executed] subject to Rule 72.

(iv) Same-side d-Quotes from different Floor brokers compete for an execution, with the most aggressive price range (e.g. three cents vs. two cents) establishing the execution price. If an incoming order remains unfilled at that price, executions within the less aggressive price range may then occur.

[(**v**) Discretionary e-Quotes compete with same-side specialist algorithmic trading messages targeting incoming orders. If the price of d-Quotes and specialist trading messages are the same, the d-Quotes and the specialist messages will trade on parity.]

[(**vi**)] (**v**) Discretionary e-Quotes from Floor brokers on opposite sides of the market will be able to trade with each other. The d-Quote that arrived at the Display Book[®] system last will use the most discretion necessary to effect a trade, except as provided below.

(**A**) When a protected bid or offer, as defined in Section 242.600(b)(57) of Regulation NMS ("Reg. NMS"), is published by another market center at a price that is better than the price at which contra-side d-Quotes would trade in accordance with [(**vi**)] (**v**) above, the following applies:

(1) the amount of discretion necessary to permit a trade on the Exchange consistent with the Order Protection Rule (Section 242.611 of Reg. NMS) ("OPR") will be used; or

(2) such portion of the appropriate d-Quote as is necessary will be automatically routed in accordance with OPR in order to permit a trade to occur on the Exchange.

[(vii)] (vi) As with all executions on the Exchange, executions involving d-Quotes will comply with OPR.

[(viii)] (vii) Discretionary e-Quotes may provide price improvement to and trade with an incoming contra-side [specialist] DMM algorithmic trading message to "hit bid/take offer," just as they can with any other marketable incoming interest.

[(ix)] (viii) Discretionary e-Quotes may initiate sweeps in accordance with and to the extent provided by Exchange Rules 1000-1004, but only to the extent of their price and volume discretion. Discretionary e-Quotes may participate in sweeps initiated by other orders but, in such cases, their discretionary instructions are not active.

(ix) Discretionary e-Quotes may trade with non-marketable contra-side Reg. NMS-compliant Immediate or Cancel Orders, NYSE Immediate or Cancel Orders and Intermarket Sweep Orders that are within the discretionary range of the d-Quote.

(A) d-Quotes will not trade at a price that would trigger a liquidity replenishment point ("LRP") as defined in Exchange Rule 1000. Accordingly, a sweep involving a d-Quote will always stop at least one cent before an LRP price.

* * * * *

.

Rule 71. Precedence of Highest Bid and Lowest Offer

(a) [The highest bid and the lowest offer shall have precedence in all cases.]

All bids made and accepted, and all offers made and accepted, in accordance with Exchange Rules shall be binding.

(b) Any bid that is made at the same or higher price of the prevailing offer shall result in a transaction at the offer price in an amount equal to the lesser of the bid or offer. The same principle shall apply when an offer is made at the same or lower price as the bid.

Rule 72. [Priority and Precedence of Bids and Offers] Priority of Bids and Offers and Allocation of Executions

[*I.Bids*Where bids are made at the same price, the priority and precedence shall be determined as follows:

(a) Priority of first bid

Except as provided in paragraph (b) below, when a bid is clearly established as the first made at a particular price, the maker shall be entitled to priority and shall have precedence on the next sale at that price, up to the number of shares of stock specified in the bid, irrespective of the number of shares of stock specified in such bid.]

The provisions of this rule shall be in effect during a Pilot set to end on September 1, 2009.

(a) Priority of First Bid or Offer

As used in this rule, the term “displayable” shall mean that portion of non-marketable interest that would be published as, or as part of, the Exchange BBO. The term “displayed interest” includes that part of an order that is published as, or as part of, the Exchange BBO.

When a bid or offer is established as the only displayable bid or offer made at a particular price and such bid or offer is the only displayable interest when such price is or becomes the Exchange BBO (the “setting interest”), such setting interest shall be entitled to priority for allocation of executions at that price as described in this rule.

(i) If at the time that interest becomes the Exchange BBO, there is any other displayable interest at the price that becomes the Exchange BBO, no interest is considered to be a setting interest, and, therefore, there is no priority established.

(ii) If as a result of cancellation, any interest is or becomes the single displayable interest at the Exchange BBO, it becomes the setting interest.

(iii) Only the portion of setting interest that is published in the Exchange BBO shall be entitled to priority allocation of an execution. That portion of setting interest that is designated as reserve interest and therefore not displayed at the Exchange BBO (or not displayable if it becomes the Exchange BBO) is not eligible for priority allocation of an execution irrespective of the price of such reserve interest or the time it is accepted into Exchange systems. However, if, following an execution of part or all of setting interest, such setting interest is replenished from any reserve interest, the replenished volume of such setting interest shall be entitled to priority if the setting interest is still the only interest at the Exchange BBO.

(iv) If a non-pegging e-Quote is a setting interest, it shall retain its priority even if joined at that price by a pegging e-Quote. (See Rule 70.26 – Pegging for e-Quotes and d-Quotes.) If, however, at the time non-pegging interest becomes the Exchange BBO, an e-Quote is pegging to such non-pegging interest, all such interest is considered to be entered simultaneously and, therefore, no interest is setting interest.

(b) Retention of Priority

(i) Once priority is established by setting interest, such setting interest retains that priority for any execution at that price when that price is at the Exchange BBO.

(ii) For any execution of setting interest that occurs when the price of the setting interest is not the Exchange BBO, the setting interest does not have priority and is executed on parity.

(iii) Priority of setting interest shall not be retained after the close of trading on the Exchange or following the resumption of trading in a security after a trading halt in such security has been invoked pursuant to Rule 123D or following the resumption of trading after a trading halt invoked pursuant to the provisions of Rule 80B.

(c) Allocation of Executions

(i) An automatically executing order will trade first with the displayed bid (offer) and if there is insufficient displayed volume to fill the order, will trade next with reserve interest. All reserve interest will trade on parity.

(ii) For the purpose of share allocation in an execution, each single Floor broker, the DMM and orders collectively represented in Exchange systems (referred to herein as “Book Participant”) shall constitute individual participants. The orders represented in the Book Participant in aggregate shall constitute a single participant and will be allocated shares among such orders by means of time priority with respect to entry.

(iii) In any execution at the Exchange BBO, a participant who has established priority as provided in (a) of this rule (i.e., is setting interest) shall receive fifteen percent (15%) of the volume of such executed amount or a minimum of one round lot, whichever is greater, until such setting interest has received a complete execution of its eligible priority interest. The amount to be allocated will be rounded to the next higher round lot in the event the allocation results in an amount that is not already a round lot.

(iv) Following the allocation of an execution to setting interest as provided in (c)(i) above, the remainder of the executed volume shall be allocated to each participant on parity. The participant with the priority interest (the setting interest) shall be included in such parity allocation.

Example for (c)(ii) and (iii):

Setting interest has 1,000 shares as the best bid of 20.05. There is an additional 600 shares of an e-Quote without priority at the same bid price. A market order to sell 500 shares arrives and is executed. The setting interest first receives 100 shares as its priority allocation (15% of 500 equals 75 shares, rounded up to 100 shares). The remainder of the execution is split on a parity basis between the two participants, with each receiving 200 shares. In total, the setting interest received 300 shares of the 500 share execution and the e-Quote received 200 shares.

(v) If there is no setting interest for an execution at the Exchange BBO, allocation of the executed volume shall be on parity by participant.

(vi) When an execution occurs at the Exchange BBO, interest that is displayed in the Exchange BBO shall be allocated before any interest that is not displayed. For purposes of this rule, “displayed“ shall mean the number of shares of a security that is published as the Exchange BBO.

(vii) In allocating an execution that involves setting interest, whether such execution takes place at the Exchange BBO or otherwise, the volume allocated to the setting interest shall be allocated to the interest in the setting interest that is entitled to priority first.

(viii) In the event the number of shares to be executed at a price point is insufficient to allocate round lots to all the participants eligible to receive an execution at that price point, Exchange systems shall create an allocation wheel of the eligible participants at that price point and the available round lot shares will be distributed to the participants in turn. (See Example below.)

(A) On each trading day, the allocation wheel for each security is set to begin with the participant whose interest is entered or retained first on a time basis. Thereafter, participants are added to the wheel as their interest joins existing interest at a particular price point. If a participant cancels his, her or its interest and then rejoins, that participant joins as the last position on the wheel at that time.

Example

Assume there is interest of the Book Participant (representing orders entered by two different public customers), three Floor brokers and the DMM are bidding at the same price, with no participant having priority. An order to sell is received by the Exchange. Exchange systems will divide the allocations among the participants as follows:

Public Order #1 100 shares and Public Order #2 100 shares Book Participant

<u>Floor Broker 1</u>	<u>Participant A</u>
<u>DMM</u>	<u>Participant B</u>
<u>Floor Broker 2</u>	<u>Participant C</u>
<u>Floor Broker 3</u>	<u>Participant D</u>

A market order for 300 shares to sell entered in Exchange systems will allocate 100 shares to the Book Participant (Public Order #1), Participant A and Participant B above. Subsequently, another order to sell 300 shares at the same price is received by Exchange systems. Those shares will be allocated to Participant C, Participant D, and Book Participant (Public Order #2).

(ix) When an execution occurs outside the Exchange BBO, the interest that is displayable will be allocated before any interest that is non-displayable (i.e. reserve interest). All interest that is displayable will be on parity among individual participants' displayable interest. All interest that is non-displayable will be on parity among individual participants' non-displayable interest.

(x) Incoming orders eligible for execution at price points between the Exchange BBO shall trade with all available interest at the price. All NYSE interest available to participate in the execution (e.g., d-quotes, s-quotes, Reserve Orders pursuant to Rule 13 and Capital Commitment Schedule interest (see Rule 1000)) will trade on parity.

[(b)] (d) Priority of Agency Cross Transactions

When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are of 25,000 shares or more and are for the accounts of persons who are not members or member organizations, the member may "cross" those orders at a price at or within the prevailing quotation. The member's bid or offer shall be entitled to priority at such cross price, irrespective of pre-existing bids or offers at that price. The member shall follow the crossing procedures of Rule 76, and another member may trade with either the bid or offer side of the cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction. Following a transaction at the improved price, the member with the agency cross transaction shall follow the crossing procedures of Rule 76 and complete the balance of the cross. No member may break up the proposed cross transaction, in whole or in part, at the cross price. No [specialist] DMM may effect a proprietary transaction to provide price improvement to one side or the other of a cross transaction effected pursuant to this paragraph. A transaction effected at the cross price in reliance on this paragraph shall be printed as "stopped stock".

When a member effects a transaction under the provisions of this paragraph, the member shall, as soon as practicable after the trade is completed, complete such documentation of the trade as the Exchange may from time to time require.

Example 1

Assume the market in XYZ is quoted 20 to 20.01, 40,000 shares by 30,000 shares. A member intending to effect a 25,000 share "agency cross" transaction at a price of 20 must bid 20 for 25,000 shares and offer 25,000 shares at 20.01. The member's bid at 20 has priority, and the proposed cross could not be broken up at that price. The proposed

cross could however, be broken up at 20.01, as this would provide a better price to the seller. However, a member intending to trade with the offer side of the cross would first have to take the entire 30,000 share offer at 20.01 which was entitled to priority, before trading with any part of the offer side of the cross.

Example 2

Assume the market in XYZ is quoted 20 to 20.35, 20,000 shares by 20,000 shares. A member intending to effect a 25,000 share "agency cross" transaction at a price of 20.05 must follow the crossing procedures of Rule 76 and bid 20.05 for 25,000 shares and offer 25,000 shares at 20.06. The member's bid at 20.05 has priority, and the proposed cross could not be broken up at this price. The proposed cross could, however, be broken up, in whole or in part, at 20.06, as this would provide a better price to the seller.

[(c) Precedence of bids equaling or exceeding amount offered

When no bid is entitled to priority under paragraph (a) hereof, (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled), all bids for a number of shares of stock equaling or exceeding the number of shares of stock in the offer or balance, shall be on parity and entitled to precedence over bids for less than the number of shares of stock in such offer or balance, subject to the condition that, with respect to bids made as part of the auction market if it is possible to determine clearly the order of time in which the bids so entitled to precedence were made, such bids shall be filled in that order except that no bids in Floor broker agency interest files or specialist interest files shall be entitled to precedence.

(d) Precedence of bids for amounts less than amount offered

When no bid is entitled to priority under paragraph (a) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) and no bid has been made for a number of shares of stock equaling or exceeding the number of shares of stock in the offer or balance, the bid for the largest number of shares of stock shall have precedence, subject to the condition that, with respect to bids made as part of the auction market if two or more such bids for the same number of shares of stock have been made, and it is possible to determine clearly the order of time in which they were made, such bids shall be filled in that order except that no bids in Floor broker agency interest files or specialist interest files shall be entitled to precedence.

(e) Simultaneous bids

When bids are made simultaneously, or when it is impossible to determine clearly the order of time in which they were made, with respect to bids made as part of the auction market, all such bids shall be on parity subject only to precedence based on the size of the bid under the provisions of paragraphs (c) and (d) hereof, except that no bids in Floor broker agency interest files or specialist interest files shall be entitled to precedence.

(f) Sale or cancellation removes bids from Floor

A sale or the cancellation of an entire bid or offer entitled to priority shall remove all bids and offers from the Floor except that if the number of shares of stock offered exceeds the number of shares specified in the bid having priority or precedence, a sale of

the unfilled balance to other bidders shall be governed by the provisions of these Rules as though no sales had been made to the bidders having priority or precedence.

(g) Subsequent bids

After bids have been removed from the Floor under the provisions of paragraph (f) hereof, priority and precedence shall be determined, in accordance with these Rules, by subsequent bids.

(h) Bids in called securities

Notwithstanding the provisions of this Rule and of sub-section (c) of Rule 85 [¶2085], the Exchange may, when all or any part of an issue of securities is called for redemption, require that all bids at the same price in the called securities shall be on a parity and that no bidder shall be entitled to more than the amount of his bid.

(i) Transfer of priority, parity and precedence

A bid may be transferred from one member to another and, as long as that bid is continued for the same account, it shall retain the same priority, parity and precedence it had at the time it was transferred.

(j) Priority and Parity of Residual

(i) When a liquidity replenishment point (LRP), as defined in Exchange Rule 1000(a)(iv), has been reached, any residual remaining after a sweep, as described in Rule 1000(d) that trades at the bid (offer) price or the LRP is entitled to priority for one trade at that price. Any residual remaining that trades at a price other than the bid (offer) price or the LRP, shall be on parity with other interest at such other price.

II. Offers Where offers are at the same price the priority, parity and precedence shall be determined in the same manner as specified in the case of bids. An offer may be transferred from one member to another and, as long as that offer is continued for the same account, it shall retain the same priority, parity and precedence it had at the time it was transferred.

III. Sale or Cancellation of a Bid or Offer Entitled to Priority "Clears the Floor"

Following a sale or the cancellation of a bid or offer that had been entitled to priority pursuant to this rule, all bids and offers previously entered are deemed to be re-entered and are on parity with each other. For example, assume that the market in XYZ is 0.20 bid for 5000 shares, with 5000 shares offered at 0.25. On the bid side of the market, Broker A is bidding for 1000 shares and has priority. Brokers B, C, D, and E are each bidding for 1000 shares, with B being ahead of C, C being ahead of D, and D being ahead of E. On the offer side of the market, Broker F is offering 1000 shares and has priority. Brokers G, H, I, and J are each offering 1000 shares, with G being ahead of H, H being ahead of I, and I being ahead of J. Broker K enters the Crowd and sells 1000 shares to Broker A's bid of 0.20. The market then becomes 0.20 bid for 4000 shares, with 5000 offered at 0.25. Brokers B, C, D, and E are now on parity on the bid side of the market, and Brokers F, G, H, I, and J are now on parity on the offer side of the market.

• • • **Supplementary Material:** -----

.10 Precedence of bids and offers.—The following examples explain the operations of Rule 72 [¶2072] in connection with auction market transactions.

(Note: For the purpose of these examples, it is assumed that all bids and offers are at the same prices; where an item is marked* it is assumed the bidder or offerer has clearly established priority pursuant to paragraph I(a) of Rule 72 [¶2072])

I.

Bids

A—100 *
 B—100
 C—100

Offers

D—
 200

B was definitely ahead of C. A gets 100 under paragraph I(a) and B gets 100 under paragraph I(c).

II.

Bids

A—100 *
 B—200
 C—400
 D—300
 E—500

Offers

F—1000

A receives 100 under paragraph I(a); E receives 500 under paragraph I(d); and C receives 400 under paragraph I(c).

III.

Bids

F—1200

Offers

A—100 *
 B—200
 C—400
 D—300
 E—500

A sells 100 under paragraph I(a); E sells 500 under paragraph I(d); C sells 400 under paragraph I(d); B and D match for 200 under paragraph I(c), unless one of them can establish clearly that he made his offer before the other.

IV.

Bids

A—500
 B—400
 C—300
 D—200
 E—100

Offers

F—
 700

Bids were made simultaneously and under paragraph I(e) are on a parity. A receives 500 under paragraph I(d), and B, C and D match for 200 under paragraph I(c).

V.

Bids

E—900

Offers

A—1100
 B—1000
 C—900
 D—500

Offers were made simultaneously and under paragraph I(e) are on a parity. A, B and C match for 900 under paragraph I(e).

VI.

Bids

A—100
 B—400 } Bid
 C—400 } simultaneously
 D—300
 E—200

Offers

F—
 700

A receives 100 under paragraph I(a). Under paragraph I(e), B and C are on a parity and under paragraph I(d) have precedence because of largest number of shares. B and C match for 400 and the remaining 200 goes to the one who lost the match.

VII.

Bids

E—600

Offers

A—400
 B—400 Offered
 C—400

simultaneously

D—200

Under paragraph I(e), A, B and C are on parity and under paragraph I(d) have precedence as to amount over D. A, B and C match for 400. Losers of first match should match for balance of 200 shares.

.20Splitting.—When two or more bids on a parity have an opportunity to "match" for a lot of stock, the members making such bids may, by agreement, "split" the lot among themselves unless any other member in the Crowd objects. The same principles apply to offers.

For example: A bids for 200, B for 200, C for 100. A and B are on a parity. D offers 200. A and B may agree to "split" the amount offered and take 100 shares each, unless C objects, in which event A and B must "match" for 200 shares.

.40 Rule 72 does not apply to bonds traded through NYSE Bonds SM (See Rule 86).]

* * * * *

Rule 79A. Miscellaneous Requirements on Stock Market Procedures

• • • *Supplementary Material:* -----

* * * * *

.15 With respect to limit orders received by [specialists, each specialist] Exchange systems, the Exchange shall publish immediately (i.e., as soon as practicable, which under normal market conditions means no later than 30 seconds from time of receipt) a bid or offer that reflects:

(i) the price and full size of each customer limit order that is at a price that would improve the [specialist's bid or offer] Exchange BBO in such security; and

(ii) the full size of each limit order that

(A) is priced equal to the [specialist's bid or offer] Exchange BBO for such security;

(B) is priced equal to the national best bid or offer; and

(C) represents more than a de minimis change (i.e., more than 10 percent) in relation to the size associated with the Exchange's bid or offer.

Limit orders received by the [specialist] Exchange that improve the Exchange then-current bid or offer or change the size of the Exchange bid or offer, other

than de minimis increases or decreases, shall be autoquoted in accordance with Exchange Rule 60[(e)] (d). The opening trade or opening quotation in each security activates the autoquote facility and thereafter, each [specialist] DMM shall keep active at all times the autoquote facility provided by the Exchange, except that a [specialist] DMM may cause the deactivation of the autoquote facility by gapping the quote in accordance with the policies and procedures of the Exchange. Autoquoting will also be automatically suspended when a block-size transaction as defined in Rule 127 that involves orders on the Display Book[®] is being reported manually or a liquidity replenishment point, as defined in Exchange Rule 1000(a)(iv), is reached.

The requirements with respect to [specialists'] display of customer limit orders shall not apply to any customer limit order that is:

- (1) executed upon receipt of the order;
- (2) placed by a customer who expressly requests, either at the time the order is placed or prior thereto pursuant to an individually negotiated agreement with respect to such customer's orders, that the order not be displayed;
- (3) an odd-lot order;
- (4) delivered immediately upon receipt to an exchange or association-sponsored system or an electronic communications network that complies with the requirements of [Securities and Exchange Commission Rule 11Ac1-1 (c) (5) (ii) under the Securities Exchange Act] Rule 605 under Reg. NMS with respect to that order;
- (5) delivered immediately upon receipt to another exchange member or over-the-counter market maker that complies with the requirements of [Securities and Exchange Commission Rule 11Ac1-4 under the Securities Exchange Act] Rule 604 under Reg. NMS with respect to that order;
- [(6) an "all or none" order in bonds in accordance with Rule 86;]
- [(7)] (6) a limit order to buy at a price significantly above the current offer or a limit order to sell at a price significantly below the current bid that is handled in compliance with Exchange procedures regarding such orders ("too marketable limit orders"), or
- [(8)] (7) an order that is handled in compliance with Exchange procedures regarding block crosses at significant premiums or discounts from the last sale.

[.20 Bids and offers on tape.—A request to have a bid or offer published on the tape must be recorded by the Supervisor at the Post on the form provided for this purpose. Each such request must be made on a separate slip. A reasonable interval must elapse between the publishing of successive bids or offers in the same security.]

[.30] 20 (a) Except as relates to [specialist] DMM dealer trades in such inactively traded securities as the Exchange shall from time to time identify, all transactions in stocks by the [specialist] DMM as dealer (when the market is slow) or transactions in which [specialist] DMM as dealer is reaching across the market (when the market is fast) which are made (i) at \$1.00 or more away from the last sale when such last sale is under \$20 per share or (ii) at \$2.00 or more away from the last sale when such last sale is at \$20 per share or over, require the prior approval of a Floor Official. For purposes of the rule, the NYSE will be considered to be a "slow" market when displaying a bid or offer (or both) that is not entitled to protection under Rule 611 of Regulation NMS. [Specialist] DMM dealer transactions in slow markets shall include but are not limited to (i) the opening and reopening of trading in a stock, (ii) the resumption of trading in the stock after a gapped quotation has been published, (iii) when trading in a security has triggered a Liquidity Replenishment Point or (iv) when the [specialist] DMM is arranging the closing transaction in a stock.

(b) In unusual market conditions, however, except with respect to inactively traded securities, a Floor Governor, Senior Floor Official, or Executive Floor Official may determine that a different price parameter other than that required in paragraph (a) of this rule is appropriate for a particular security when the last sale is at \$100 per share or over. In such case, any such determination by a Floor Governor, Senior Floor Official, or Executive Floor Official shall be for that trading session only, unless he or she, or in his or her absence, another Floor Governor, Senior Floor Official, or Executive Floor Official re-confirms that determination, on a day-to-day basis, for subsequent trading sessions. Any such determination by a Floor Governor, Senior Floor Official, or Executive Floor Official shall be reported to the Market Surveillance Division on such form as the Exchange may from time to time prescribe. When a different price parameter is determined by a Floor Governor, Senior Floor Official or Executive Floor Official, such price parameter shall be referenced for purposes of applying paragraph (a) instead of the price parameters stated therein.

(c) When such a transaction is an opening sale it will be accompanied when published on tape by the symbol "OPD" meaning "opened."

(d) The term "\$1.00 or more" or the term "\$2.00 or more" as used herein is the net difference between the price of the current sale and the price of the last previous sale after taking into consideration a dividend or other distribution when the stock sells "ex-dividend" or "ex-distribution." For instance, if the opening sale in such stock is at \$48.00 "ex-dividend" \$.50 and the last sale was at \$50.00, the net difference would be regarded as \$1.50 and approval for publication would not be required. If the opening transaction is at \$20.50 "ex-dividend" \$.25 and the last sale was at \$19.75, the net difference would be regarded as \$1.00 and in this case approval for publication would be required.

* * * * *

[Rule 85. Cabinet Securities

Stocks

(a) Ten-share-unit stocks assigned by the Exchange for dealings by the use of cabinets shall be dealt in at a location designated for the purpose, except that when exigencies require, a Floor Official may permit dealings at the same location, without the use of cabinets.

(b) Sequence of orders

Bids and offers in securities dealt in by the use of cabinets shall be written on cards, which shall be filed in the cabinets in the following sequence:

- (1) According to price, and
- (2) According to the time received at the cabinet.

Orders in such securities shall be filled according to the bids and offers filed in the cabinets, in the sequence indicated above, except that oral bids and offers in such securities may be made if not in conflict with bids and offers in the cabinets.

(See

.20, .70, below, regarding (Short) Orders in Stock.

.50, below, regarding "Cabinet Securities—Order Forms."

.60, below, regarding Oral "Bids and Offers."

¶2121.10 regarding *"Sending Orders to Specialists."*

¶2123A.20 regarding *"G.T.C. Orders—Semiannual Confirmations."*

¶2123A.75 regarding *"Marking Sell Orders 'Long' or 'Short'."*)

(c) Ten-share-unit stocks

In addition to other applicable rules, the following rules shall apply to *ten-share-unit stocks* dealt in by the use of cabinets:

- (1) No order shall be filed in the cabinets unless it bears the name of a specialist registered in such stocks on whom responsibility for the execution of the order shall rest.
- (2) Members registered as specialists in such ten-share-unit stocks shall be required to register with the Exchange as odd-lot dealers in said stocks.
- (3) Unless otherwise directed by the Exchange, an odd lot of stock sold by an odd-lot dealer for his own account shall be delivered on the third business day following the day of the transaction, unless otherwise agreed.

• • • **Supplementary Material:** -----

.20 "Short" orders in inactive stocks.— Short orders entrusted to a specialist at Post 30 shall be executed in the same manner as provided in ¶2123.71. The specialist shall be responsible for changing the limits on any short orders entrusted to him which he places in the cabinet assigned to such stock.

.32 Bids and offers binding.—When a member removes a card from the cabinets and informs either the member who caused it to be inserted or the representative of the latter that the bid or offer is accepted, the bid or offer may not be withdrawn and the transaction must be consummated. (*See .70, below.*)

.33 Cancellation of orders.—When orders in the cabinets are canceled, the card must be removed by the members entering such orders or by their representatives.

.34 Changing price limits.—When changes in price limits are made on a subsequent date in open orders already filed in the cabinets the date on such orders must be changed at the same time by the members entering such orders or by their representatives.

.35 Clerks restricted.—Cabinet clerks may not give any information regarding trades before they have been consummated nor make any change whatever in the price, date, designation or symbol with respect to orders in the cabinets. They may, however, reduce the amount of an order when it is partially executed.

.36 Closing cabinets.—The cabinets are closed when the market closes.

.37 G.T.C. orders.—G.T.C. orders remaining in the cabinets will retain their status at the opening on the next business day.

.38 Recognition of better bids and offers.—When a member removes a card from the cabinets, representing an order to buy, for the purpose of consummating a transaction with the member who caused the card to be inserted, a higher bid than that represented by the card made before the transaction is consummated must be recognized and accepted. The same principle applies to selling orders when a lower offer is made.

.39 Responsibility for orders.—All orders filed in the cabinets must bear the name of a member regularly stationed in the Crowd.

Members are responsible for all cards bearing their names in the cabinets.

.42 "Stop orders."— "Stop orders" may not be placed in the cabinets.

.50 Cabinet securities—Order forms.—Orders for ten-share-unit stocks dealt in by the use of cabinets must be written on special order forms which may be procured from the Exchange, and must be in the following colors:

White for day orders

Yellow for G.T.C. orders

.60 Oral bids and offers.— Rule 85(c), above, permits oral bids and offers to be made when not in conflict with bids and offers filed in the cabinets. Oral bids and offers at the same price as those filed in the cabinets are not considered to be in conflict but the written orders in the cabinets have precedence over the oral bids and offers.]

* * * * *

Rule 90. Dealings by Members on the Exchange

* * * * *

(d) Immediately before executing an order pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder, a member (other than the [specialist] DMM in such security) shall clearly announce or otherwise indicate to the [specialist] DMM and to other members then present in the trading crowd in such security that he is representing an order to be executed pursuant to these provisions.

(See Rule 108 [¶2108] "Limitations on Members' Bids and Offers" and Rule 112.10 [¶2112.20- 2112.27] for "Interpretations and Instructions".)

[• • • *Supplementary Material:* -----

Securities Exchange Act of 1934— Section 11(a) and Rules thereunder:

15USC-CH2B-§78k. Trading By Members Of Exchanges, Brokers, And Dealers

Sec. 11(a)(1) It shall be unlawful for any member of a national securities exchange to effect any transaction on such exchange for its own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion: provided, however, that this paragraph shall not make unlawful—

(A) any transaction by a dealer acting in the capacity of market maker;

(B) any transaction for the account of an odd-lot dealer in a security in which he is so registered;

(C) any stabilizing transaction effected in compliance with rules under section 10(b) of this title (15 USCS §78j(b)) to facilitate a distribution of a security in which the member effecting such transaction is participating;

(D) any bona fide arbitrage transaction, any bona fide hedge transaction involving a long or short position in an equity security and a long or short position in a security entitling the holder to acquire or sell such equity security, or any risk arbitrage transaction in connection with a merger, acquisition, tender offer, or similar transaction involving a recapitalization;

(E) any transaction for the account of a natural person, the estate of a natural person, or a trust created by a natural person for himself or another natural person;

(F) any transaction to offset a transaction made in error;

(G) any other transaction for a member's own account provided that (i) such member is primarily engaged in the business of underwriting and distributing securities issued by other persons, selling securities to customers, and acting as broker, or any one or more of such activities, and whose gross income normally is derived principally from such business and related activities and (ii) such transaction is effected in compliance with rules of the Commission which, as a minimum, assure that the transaction is not inconsistent with the maintenance of fair and orderly markets and yields priority, parity, and precedence in execution to orders for the account of persons who are not members or associated with members of the exchange;

(H) any transaction for an account with respect to which such member or an associated person thereof exercises investment discretion if such member—

(i) has obtained, from the person or persons authorized to transact business for the account, express authorization for such member or associated person to effect such transactions prior to engaging in the practice of effecting such transactions;

(ii) furnishes the person or persons authorized to transact business for the account with a statement at least annually disclosing the aggregate compensation received by the exchange member in effecting such transactions; and

(iii) complies with any rules the Commission has prescribed with respect to the requirements of clauses (i) and (ii); and

(I) any other transaction of a kind which the Commission, by rule, determines is consistent with the purposes of this paragraph, the protection of investors, and the maintenance of fair and orderly markets.

(II) The Commission, by rule, as it deems necessary or appropriate in the public interest and for the protection of investors, to maintain fair and orderly markets, or to assure equal regulation of exchange markets and markets occurring otherwise than on an exchange, may regulate or prohibit:

(A) transactions on a national securities exchange not unlawful under paragraph (1) of this subsection effected by any member thereof for its own account (unless such member is acting in the capacity of market maker or odd-lot dealer), the account of an associated person, or an account with respect to which such member or an associated person thereof exercises investment discretion;

(B) transactions otherwise than on a national securities exchange effected by use of the mails or any means or instrumentality of interstate commerce by any member of a national securities exchange, broker, or dealer for the account of such member, broker, or

dealer (unless such member, broker, or dealer is acting in the capacity of a market maker) the account of an associated person, or an account with respect to which such member, broker, or dealer or associated person thereof exercises investment discretion; and

(C) transactions on a national securities exchange effected by any broker or dealer not a member thereof for the account of such broker or dealer (unless such broker or dealer is acting in the capacity of market maker), the account of an associated person, or an account with respect to which such broker or dealer or associated person thereof exercises investment discretion.

Rule 11a-1 Regulation Of Floor Trading.

(Cross Reference: This section amended at 62 FR 1301 issued 1/97)

(a) No member of a national securities exchange, while on the floor of such exchange, shall initiate, directly or indirectly, any transaction in any security admitted to trading on such exchange, for any account in which such member has an interest, or for any such account with respect to which such member has discretion as to the time of execution, the choice of security to be bought or sold, the total amount of any security to be bought or sold, or whether any such transaction shall be one of purchase or sale.

(b) The provisions of paragraph (a) of this section shall not apply to:

(1) any transaction by a registered specialist in a security in which he is so registered on such exchange;

(2) any transaction for the account of an odd-lot dealer in a security in which he is so registered on such exchange;

(3) any stabilizing transaction effected in compliance with §242.104 of this chapter to facilitate a distribution of such security in which such member is participating;

(4) any bona fide arbitrage transaction;

(5) any transaction made with the prior approval of a floor official of such exchange to permit such member to contribute to the maintenance of a fair and orderly market in such security, or any purchase or sale to reverse any such transaction;

(6) any transaction to offset a transaction made in error; or

(7) any transaction effected in conformity with a plan designed to eliminate floor trading activities which are not beneficial to the market and which plan has been adopted by an exchange and declared effective by the Commission. For the purpose of this rule, a plan filed with the Commission by a national securities exchange shall not become effective unless the Commission, having due regard for the maintenance of fair and orderly markets, for the public interest, and for the protection of investors, declares the plan to be effective.

(c) For the purpose of this rule the term "on the floor of such exchange" shall include the trading floor; the rooms, lobbies, and other premises immediately adjacent thereto for use of members generally; other rooms, lobbies and premises made available primarily for use by members generally; and the telephone and other facilities in any such place.

(d) Any national securities exchange may apply for an exemption from the provisions of this rule in compliance with the provisions of Section 11(c) of the Act.

(Sec. 11, 48 Stat. 891; 15 U.S.C. 78k)

(29 FR 7381, June 6, 1964)

Rule 11a1-1(T) Transactions Yielding Priority, Parity, And Precedence

(a) A transaction effected on a national securities exchange for the account of a member which meets the requirements of Section 11(a)(1)(G)(i) of the Act shall be deemed, in accordance with the requirements of Section 11(a)(1)(G)(ii), to be not inconsistent with the maintenance of fair and orderly markets and to yield priority, parity, and precedence in execution to orders for the account of persons who are not members or associated with members of the exchange if such transaction is effected in compliance with each of the following requirements:

- (1) A member shall disclose that a bid or offer for its account is for its account to any member with whom such bid or offer is placed or to whom it is communicated, and any such member through whom that bid or offer is communicated shall disclose to others participating in effecting the order that it is for the account of a member.
- (2) Immediately before executing the order, a member (other than the specialist in such security) presenting any order for the account of a member on the exchange shall clearly announce or otherwise indicate to the specialist and to other members then present for the trading in such security on the exchange that he is presenting an order for the account of a member.
- (3) Notwithstanding rules of priority, parity, and precedence otherwise applicable, any member presenting for execution a bid or offer for its own account or for the account of another member shall grant priority to any bid or offer at the same price for the account of a person who is not, or is not associated with, a member, irrespective of the size of any such bid or offer or the time when entered.

(b) A member shall be deemed to meet the requirements of Section 11(a)(1)(G)(i) of the Act if during its preceding fiscal year more than 50 percent of its gross revenues was derived from one or more of the sources specified in that section. In addition to any revenue which independently meets the requirements of Section 11(a)(1)(G)(i), revenue derived from any transaction specified in paragraph (A), (B), or (D) of section 11(a)(1) of the Act or specified in 17 CFR 240.11a1-4(T) shall be deemed to be revenue derived from one or more of the sources specified in Section 11(a)(1)(G)(i). A member may rely on a list of members which are stated to meet the requirements of Section 11(a)(1)(G)(i) if

such list is prepared, and updated at least annually, by the exchange. In preparing any such list, an exchange may rely on a report which sets forth a statement of gross revenues of a member if covered by a report of independent accountants for such member to the effect that such report has been prepared in accordance with generally accepted accounting principles.

(Secs. 2, 3, 6, 11, 11A, and 23, 89 Stat. 97, 104, 110, 111, 156 (15 U.S.C. 78b, 78c, 78f, 78k, 78k-1, 78w); secs. 2, 3, 11, 23, 48 Stat. 881, 882, 885, 891, 901, as amended)

(43 FR 11553, Mar. 17, 1978, as amended at 43 FR 18562, May 1, 1978; 44 FR 6093, Jan. 31, 1979)

Rule 11a1-2 Transactions For Certain Accounts Of Associated Persons Of Members

A transaction effected by a member of a national securities exchange for the account of an associated person thereof shall be deemed to be of a kind which is consistent with the purposes of Section 11(a)(1) of the Act, the protection of investors, and the maintenance of fair and orderly markets if the transaction is effected:

- (a) for the account of and for the benefit of an associated person, if, assuming such transaction were for the account of a member, or
- (b) for the account of an associated person but for the benefit of an account carried by such associated person, if, assuming such account were carried on the same basis by a member, the member would have been permitted, under Section 11(a) of the Act and the other rules thereunder, to effect the transaction; Provided, however, That a transaction may not be effected by a member for the account of and for the benefit of an associated person under Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder unless the associated person derived, during its preceding fiscal year, more than 50 percent of its gross revenues from one or more of the sources specified in Section 11(a)(1)(G)(i) of the Act.

(Secs. 2, 3, 4, 6, 7, 11, 18, 89 Stat. 97, 104, 110, 111, 121, 155 (15 U.S.C. 78b, 78c, 78f, 78k, 78k-1, 78o, 78w); secs. 2, 3, 10, 23, 48 Stat. 881, 882, 891, 901, as amended (15 U.S.C. 78j))

(43 FR 11553, Mar. 17, 1978; 43 FR 14451, Apr. 6, 1978)

Rule 11a1-3(T) Bona Fide Hedge Transactions In Certain Securities

A bona fide hedge transaction effected on a national securities exchange by a member for its own account or an account of an associated person thereof and involving a long or short position in a security entitling the holder to acquire or sell an equity security, and a long or short position in one or more other securities entitling the holder to acquire or sell such equity security, shall be deemed to be of a kind which is consistent with the

purposes of Section 11(a)(1) of the Act, the protection of investors, and the maintenance of fair and orderly markets.

(Secs. 2, 3, 6, 11, 11A, and 23, 89 Stat. 97, 104, 110, 111, 156 (15 U.S.C. 78b, 78c, 78f, 78k, 78k-1, 78w); secs. 2, 3, 11, 23, 48 Stat. 881, 882, 885, 891, 901, as amended)

(44 FR 6093, Jan. 31, 1979)

Rule 11a1-4(T) Bond Transactions On National Securities Exchanges

A transaction in a bond, note, debenture, or other form of indebtedness effected on a national securities exchange by a member for its own account or the account of an associated person thereof shall be deemed to be of a kind which is consistent with the purposes of Section 11(a)(1) of the Act, the protection of investors, and the maintenance of fair and orderly markets.

(Secs. 2, 3, 6, 10, 11, 11A, 15 and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78b, 78c, 78f, 78j, 78k, 78k-1, 78o, and 78w))

(43 FR 18562, May 1, 1978)

Rule 11a1-5 Transactions By Registered Competitive Market Makers And Registered Equity Market Makers

Any transaction by a New York Stock Exchange registered competitive market maker or an American Stock Exchange registered equity market maker effected in compliance with their respective governing rules shall be deemed to be of a kind which is consistent with the purposes of Section 11(a)(1) of the Act, the protection of investors, and the maintenance of fair and orderly markets.

(46 FR 14889, Mar. 3, 1981)

Rule 11a1-6 Transactions For Certain Accounts Of OTC Derivatives Dealers

(Cross Reference: This section added at 63 FR 59361 issued 11/98)

A transaction effected by a member of a national securities exchange for the account of an OTC derivatives dealer that is an associated person of that member shall be deemed to be of a kind that is consistent with the purposes of Section 11(a)(1) of the Act (15 U.S.C. 78k(a)(1)), the protection of investors, and the maintenance of fair and orderly markets if, assuming such transaction were for the account of a member, the member would have been permitted, under Section 11(a) of the Act and the other rules thereunder (with the exception of §240.11a1-2), to effect the transaction.

Rule 11a2-2(T) Transactions Effected By Exchange Members Through Other Members

(a) A member of a national securities exchange (the "initiating member") may not effect a transaction on that exchange for its own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion unless:

(1) the transaction is of a kind described in paragraphs A through H of Section 11(a)(1) of the Act and is effected in accordance with applicable rules and regulations thereunder; or

(2) the transaction is effected in compliance with each of the following conditions:

(i) the transaction is executed on the floor, or through use of the facilities, of the exchange by a member (the "executing member") which is not an associated person of the initiating member;

(ii) the order for the transaction is transmitted from off the exchange floor;

(iii) neither the initiating member nor an associated person of the initiating member participates in the execution of the transaction at any time after the order for the transaction has been so transmitted; and

(iv) in the case of a transaction effected for an account with respect to which the initiating member or an associated person thereof exercises investment discretion, neither the initiating member nor any associated person thereof retains any compensation in connection with effecting the transaction; Provided, however, That this condition shall not apply to the extent that the person or persons authorized to transact business for the account have expressly provided otherwise by written contract referring to Section 11(a) of the Act and this section executed on or after March 15, 1978, by each of them and by such exchange member or associated person exercising investment discretion.

(b) For purposes of this section, a member "effects" a securities transaction when it performs any function in connection with the processing of that transaction, including, but not limited to, (1) transmission of an order for execution, (2) execution of the order, (3) clearance and settlement of the transaction, and (4) arranging for the performance of any such function.

(c) For purposes of this section, the term "compensation in connection with effecting the transaction" refers to compensation directly or indirectly received or calculated on a transaction-related basis for the performance of any function involved in effecting a securities transaction.

(d) A member, or an associated person of a member, authorized by written contract to retain compensation in connection with effecting transactions pursuant to paragraph (a)(2)(iv) of this section shall furnish at least annually to the person or persons authorized to transact business for the account a statement setting forth the total amount of all compensation retained by the member or any associated person thereof in connection with

effecting transactions for that account during the period covered by the statement, which amount shall be exclusive of all amounts paid to others during that period for services rendered in effecting such transactions.

(e) A transaction effected in compliance with the requirements of this section shall be deemed to be of a kind which is consistent with the purposes of Section 11(a)(1) of the Act, the protection of investors, and the maintenance of fair and orderly markets.

(f) The provisions of this section shall not apply to transactions by exchange members to which, by operation of Section 11(a)(3) of the Act, Section 11(a)(1) of the Act is not effective. (Secs. 2, 3, 4, 6, 7, 11, 18, 89 Stat. 97, 104, 110, 111, 121, 155 (15 U.S.C. 78b, 78c, 78f, 78k, 78k-1, 78o, 78w); secs. 2, 3, 10, 23, 48 Stat. 881, 882, 891, 901, as amended (15 U.S.C. 78j)) (43 FR 11554, Mar. 17, 1978, as amended at 43 FR 18562, May 1, 1978).]

Rule 91. Taking or Supplying Securities Named in Order

No member, whether acting as a [specialist] DMM or otherwise, who has accepted for execution, personally or through his or her member organization, an order for the purchase of securities shall fill such order by selling such securities for any account in which he, his member organization or any other member or allied member therein has a direct or indirect interest or for any account in which an approved person in such organization or officer thereof is directly or indirectly interested when the member knows or should have known that the sale is for such an account or having so accepted an order for the sale of securities shall fill such order by buying such securities for such an account, except as follows:

(a) Missing the market

A member who neglects to execute an order may be compelled to take or supply for his own account or that of his member organization the securities named in the order;

(b) "Crossing" for own account

A member may take the securities named in the order provided (1) he shall have offered the same in the open market at a price which is higher than his bid by the minimum variation permitted in such securities, and (2) the price is justified by the condition of the market, and (3) the member who gave the order shall directly, or through a broker authorized to act for him or her, after prompt notification, accept the trade;

(c) A member may supply the securities named in the order provided (1) he shall have bid for the same in the open market at a price which is lower than his offer by the minimum variation permitted in such securities, and (2) the price is justified by the condition of the market, and (3) the member who gave the order shall directly or through a broker authorized to act for him or her, after prompt notification, accept the trade;

(d) "On order"

A member acting as a broker is permitted to report to his or her principal a transaction as made with himself or herself when he or she has orders from two principals to buy and to

sell the same security and not to give up, such orders being executed in accordance with Rule 76 [¶2076], in which case he must add to his name on the report the words "on order."

• • • *Supplementary Material:* -----

.10 Confirmation of transactions.—When a member or member organization is notified to send a member to a [specialist's] DMM unit's post for the purpose of confirming a transaction with another member who has elected to take or supply for his own account the securities named in an order entrusted to him or her, the member or member organization so notified or a member representing the notified party must respond as soon as practicable under the prevailing circumstances following notification to the member or member organization of the report of execution of the transaction. The transaction must then be either confirmed or rejected with a member and not with a clerk. Transactions which are not then confirmed or rejected in accordance with the procedures above are deemed to have been accepted. If the [specialist] DMM took or supplied the securities, the member so notified must initial the memorandum record of the [specialist] DMM which shows the details of the trade and return it to the [specialist] DMM. The [specialist] DMM must keep such memoranda records for a period of three years.

Any disagreement as to whether a member or member organization has taken timely action pursuant to this paragraph shall be resolved in accordance with the principles of Rule 75.

[.20 Principal transactions against orders in specialists' possession.—A specialist occasionally may effect a transaction as principal against an order which had been entered for an account carried by the specialist's organization or serviced by someone at his organization. In such cases, all specialists must follow a uniform procedure. The customer for whom the order had been entered must be contacted promptly. The fact that the stock has been taken or supplied as principal against his order must be explained to him so that he may then accept or reject the transaction.]

.30 Orders Stored in the Opening Automated Report Service.—In the case where a [specialist] DMM takes or supplies, for an account in which [he] the DMM has an interest, the securities named in an order stored in the Opening Automated Report Service, the provisions above regarding confirmation of the transaction shall not apply.

.40 Electronic Order Routing and Reporting.—In the case where a [specialist] DMM takes or supplies, for an account in which [he] the DMM has an interest, the securities named in an order which is received by the [specialist] DMM via any Exchange electronic order routing system, paragraphs (b)(3) and (c)(3) and paragraph .10 above shall not apply. A member representing the member organization which transmitted the order via the Exchange's order routing systems, may reject any such trade by notifying the [specialist] DMM in writing promptly after the member organization has received a

report on the transaction. Any transaction not rejected in this manner shall be deemed accepted.

.50 Rejection of [specialist's] DMM's principal transactions.—If there is a continued pattern of rejections of a [specialist's] DMM's principal transactions, a Floor Official may be called upon and require the broker to review his or her actions. It should be noted, however, that if a customer gives instructions to his or her broker to reject trades with the [specialist's] DMM's name on the other side, this would be a conditional order and should not be entrusted to the [specialist] DMM for execution.

The foregoing does not compromise the unconditional right of a broker to reject any trade where the [specialist] DMM trades as principal. In addition, no disciplinary process would be triggered against the broker for exercising his or her right to reject the trade.

Rule 92. Limitations on Members' Trading Because of Customers' Orders

(a) Except as provided in this Rule, no member or member organization shall cause the entry of an order to buy (sell) any Exchange-listed security for any account in which such member or member organization or any approved person thereof is directly or indirectly interested (a "proprietary order"), if the person responsible for the entry of such order has knowledge of any particular unexecuted customer's order to buy (sell) such security that could be executed at the same price.

(b) A member or member organization may enter a proprietary order while representing a customer order that could be executed at the same price, provided that the customer's order is designated not held and is for (i) an institutional account, or (ii) over 10,000 shares, unless such orders are less than \$100,000 in value, and the member organization periodically provides written disclosures to its customers and obtains and documents affirmative customer consent, under the following conditions:

(1) the member or member organization is liquidating a position held in a proprietary facilitation account;

(2) the member or member organization is creating a bona fide hedge ("hedge") and (i) the creation of the hedge, whether through one or more transactions, occurs so close in time to the completion of the transaction precipitating such hedge that the hedge is clearly related; (ii) the size of the hedge is commensurate with the risk it offsets; and (iii) the risk to be offset is the result of a position acquired in the course of facilitating a customer's order;

(3) the member or member organization is modifying an existing hedge and (i) the size of the hedge, as modified, remains commensurate with the risk it offsets and (ii) the hedge was created to offset a position acquired in the course of facilitating a customer's order;
or

(4) the member or member organization is engaging in bona fide arbitrage or risk arbitrage transactions, and recording such transactions in an account used solely to record arbitrage transactions (an "arbitrage account").

(c) The obligations under this rule shall not apply if a member or member organization is entering a proprietary order for the purpose of facilitating the execution, on a riskless principal basis, of one or more orders (the "facilitated order"), provided that the following requirements are satisfied:

(1) The facilitated order must be a "riskless principal transaction," which is when a member or member organization, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell;

(2) A member that relies on this exclusion to the rule must give the facilitated order the same per-share price at which the member purchased or sold shares to satisfy the facilitated order, exclusive of any markup or markdown, commission equivalent, or other fee;

(3) A member must submit a report of execution of the facilitated order to a designated Exchange database as required by NYSE Rule 123(f). The member must also submit to the same database, within such time frame and in such format as the Exchange may from time to time require, an electronic report containing data elements sufficient to provide an electronic link of the execution of the facilitated order to all of the underlying orders;

(4) In allocating the facilitated order, if the facilitated order includes a member or member organization's proprietary order, as defined under Rule 92(b), such proprietary order must yield to customer orders if such customer orders include any orders that either have not or cannot consent to the member or member organization executing a proprietary order at the same price as the customer's order. Once any customer orders that have not consented to trade along under Rule 92(b) have been filled, such proprietary order can trade along with any remaining customer orders that have consented pursuant to Rule 92(b), subject to any allocation procedures disclosed to such consenting customers pursuant to Rule 92(b).

(5) Members and member organizations must have written policies and procedures to assure that riskless principal transactions relied upon for this exception comply with applicable NYSE rules. At a minimum, these policies and procedures must require that the customer order was received before entry of the offsetting transactions, and that the offsetting transactions are allocated to a customer account in a consistent manner and within 60 seconds of execution. In addition, member organizations must have a methodology for allocating customer orders represented in the facilitated order and shall disclose such method to customers in the manner that the Exchange may from time to time require. Members and member organizations must have supervisory systems in place that produce records sufficient to reconstruct in a time-sequenced manner, all orders with respect to which a member or member organization is claiming this exception.

(d) The provisions of this Rule shall not apply to:

(1) any purchase or sale of any security in an amount of less than the unit of trading made by an odd-lot dealer to offset odd-lot orders for customers;

(2) any purchase or sale of any security upon terms for delivery other than those specified in such unexecuted market or limited price order;

(3) transactions by a member or member organization acting in the capacity of a specialist or market maker in a security listed on the Exchange otherwise than on the Exchange;

(4) transactions made to correct bona fide errors; and

(5) intermarket sweep orders sent as principal in compliance with Rules 600(b)(30)(ii) and 611(b)(6) of Regulation NMS ("ISO"), provided that the member organization yields its principal executions to any open customer orders that are required to be protected by Rule 92 and are capable of being filled, except if the member organization executed the ISO to facilitate a customer order at a price inferior to one or more protected quotations and that customer has consented to not receiving the better prices obtained by the ISO.

(6) any transaction by a member or member organization acting in the capacity of a [specialist] DMM in a security in which the [specialist] DMM is registered and which is entered into more than two and one half hours after the close of regular trading in such security on the Exchange and more than fifteen minutes prior to the opening of regular trading in such security on the Exchange on following trading day.

• • • *Supplementary Material:* -----

.10 A member or employee of a member or member organization responsible for entering proprietary orders shall be presumed to have knowledge of a particular customer order unless the member organization has implemented a reasonable system of internal policies and procedures to prevent the misuse of information about customers orders by those responsible for entering such proprietary orders.

[.15 If the specialist system employing algorithms that generate quoting and trading messages in accordance with the provisions of Exchange Rule 104 is designed and operated in a manner that prevents a quoting or trading message generated in response to an order from being affected by the receipt of a subsequent order in the same security then, for the purposes of this rule, the specialist member and member organization will not be deemed to have knowledge of the subsequent order while the specialist system is transmitting to the Display Book the quoting or trading message generated in response to the initial order.]

Rule 93. Trading for Joint Account

* * * * *

(c) The provisions of this Rule shall not apply to any purchase or sale (1) by a member for a joint account maintained solely for effecting *bona fide* domestic or foreign arbitrage transactions, or (2) by an odd-lot dealer or a [specialist] DMM for any joint account in which he is expressly permitted to have an interest or participation by Rule 94 [¶2094].

* * * * *

Rule 94. [Specialists'] Designated Market Makers' or Odd-Lot Dealers' Interest in Joint Accounts

(a) A [specialist] DMM or odd-lot dealer, who conducts business as an individual or on behalf of a [member organization] DMM unit, shall neither directly nor indirectly acquire or hold any interest or participation in any joint account for buying or selling on the Exchange, or through ITS or any other Application of the System, any stock in which such [specialist] DMM or odd-lot dealer is registered, except a joint account in which such individual or such [member organization] DMM unit is the participant (i) with a member or members who conduct business as individual; or (ii) with a member organization.

* * * * *

Rule 99. Round-Lot Transactions of Odd-Lot Dealer and Broker

No odd-lot dealer or his relief or associate odd-lot broker shall effect while on the Floor of the Exchange purchases or sales of any security in which such odd-lot dealer is registered, for any account in which such odd-lot dealer, his member organization or any other member, allied member, or approved person, in such organization is directly or indirectly interested, unless such dealings are reasonably necessary to permit the odd-lot dealer to act as such in such security, or, if also registered as a [specialist] DMM in such security, to act as a [specialist] DMM.

Rule 100. Round-Lot Transactions of Odd-Lot Dealer or Broker Affecting Odd-Lot Orders

(a) Transactions of [Specialist] DMM—Odd-Lot Dealer

If an odd-lot dealer (including a [specialist] DMM odd-lot dealer) anticipates selling a round lot as principal at a price below the last different round lot price (a minus or zero-

minus tick), and has knowledge that because of the amount of odd-lot sell orders he holds at that price, he would become a buyer of an amount greater than one round lot on balance, prior approval to make such round lot sale is required of a Floor Official.

(b) Similarly, if an odd-lot dealer (including a [specialist] DMM odd-lot dealer) anticipates purchasing a round lot as principal at a price above the last different round lot price (a plus or zero-plus tick), and has knowledge that because of the amount of odd-lot buy orders he holds at that price, he would become a seller of an amount greater than one round lot on balance, prior approval to make such round lot purchase is required of a Floor Official.

(c) If unusual circumstances exist, such as unusual activity in a stock with a corresponding increase in the number of orders being received in the odd-lot and/or round lot market, and the need for the odd-lot dealer to effect an unusual number of transactions for his own account, the odd-lot dealer may obtain in advance from a Floor Official an exemption from the provisions of this rule for all or part of any trading session. A record should be kept of these circumstances and of the Floor Official approval.

* * * * *

[Rule 103. Registration of Specialists

No member shall act as a specialist on the Floor in any security unless such member is registered as a specialist in such security with the Exchange and unless the Exchange has approved of his so acting as a specialist and has not withdrawn such approval.

As a condition of a member's registration as a specialist in one or more securities the Board of Directors may at any time require such member to register with the Exchange and act as an odd-lot dealer in such securities under Rule 101.

• • • *Supplementary Material:* -----

.10 Registration of specialists.—Four classes of specialists have been established, namely (1) regular specialists, (2) relief specialists, (3) associate specialists, and (4) temporary specialists. No member is permitted to act as regular specialist relief specialist or associated specialist unless he is registered with the Exchange. No registration is required for temporary specialists, but no member is permitted to act as such unless authorized by a Floor Official.

Registration applies only to individual members, and not to member organizations. Consequently each Floor member of a specialist organization who expects to act as regular specialist, relief specialist or associate specialist at any time must register individually.

All members of the Exchange registered as regular specialists, or odd-lot dealers or odd-lot brokers will be required to pay a monthly registration fee of \$37.50 and all members registered as relief or associate specialists will be required to pay a monthly registration fee of \$1.67.

Notice of all new applications for registration as regular or relief specialist will be posted on the bulletin board. Approval will not be given on any such application until one week from the date of receipt thereof, except that, if circumstances require immediate action, temporary approval may be given. Members wishing to make representations with respect to any application should file their comments with the Market Surveillance and Evaluation Department during the period when notice is posted.

Notice of applications for registration as associate specialists will not be posted.

Before registration as a specialist, a member is required to pass a Specialist's Examination prescribed by the Exchange. Applications for this examination should be submitted to the Market Surveillance Department.]

Rule 103. Registration and Capital Requirements of DMMs and DMM Units

(a)(i) No member organization shall act as a DMM unit on the Exchange in any security unless such member organization is registered as a DMM unit in such security with the Exchange and unless the Exchange has approved of the member organization so acting as a DMM unit and has not withdrawn such approval.

(b)(i) To register as a DMM unit, a member organization shall file an application in writing in such form as required by NYSE Regulation. In reviewing an application, NYSE Regulation may consider the member organization's market making ability, capital available for market making, and such other factors as NYSE Regulation deems appropriate. After reviewing the application, NYSE Regulation shall either approve or disapprove the applicant member organization's registration as a DMM unit.

(ii) An existing specialist member organization may continue to operate as a DMM unit without submitting an application to NYSE Regulation.

(c)(i) Before approval of registration as a DMM, an individual is required to be a member of the Exchange and pass an examination prescribed by the Exchange, unless such examination is waived by the Exchange. Applications for this examination should be submitted to NYSE Regulation.

(ii) A member previously qualified as a specialist may act as a DMM without being required to pass an examination prescribed by the Exchange.

(iii) DMMs are permitted to conduct business for the DMM unit on the Floor of the Exchange, such as entering orders and quotations for the account of the DMM unit. DMMs may conduct business only on behalf of the DMM unit with which the DMM is associated.

(d) As a condition of a member organization's registration as a DMM unit in one or more securities the Exchange may at any time require such DMM unit to act as an odd-lot dealer in such securities as provided under the rules of the Exchange.

(e) All DMM units registered at the Exchange will be required to pay such registration fees as are determined and made known by the Exchange.

(f) Relief DMMs. –

(i) Any member registered as a regular DMM must either (1) be associated with other members also registered as regular DMMs in the same securities, either through a partnership or a member corporation or a joint account, and arrange for at least one member of the group to be in attendance during the hours when the Exchange is open for business, or (2) arrange for the registration by at least one other member as relief DMM, who would always be available, in the regular DMM's absence, to perform the activities of a regular DMM and to service the market, so that there would be no interruption of the continuity of service during the hours when the Exchange is open for business.

(ii) The same obligations and responsibilities for the maintenance and stabilization of markets which rest upon regular DMMs, rest also upon relief DMMs.

(iii) A member previously registered as a relief specialist may serve as a relief DMM.

• • • *Supplementary Material:* -----

[.11].10 Temporary Reallocation of Securities.—The Chief Regulatory Officer or his or her designee and two non-[specialist] DMM Executive Floor Governors or if only one or no non-[specialist] DMM Executive Floor Governors is present on the Floor, the most senior non-[specialist] DMM Floor Governor or Governors based on length of consecutive service as a Floor Governor at the time of any action covered by this rule, acting by a majority shall have the power to reallocate temporarily any security on an emergency basis to another location on the Floor whenever in their opinion such reallocation would be in the public interest.

The member to whom a security has been temporarily reallocated under the provisions of this Rule will be registered as the regular [specialist] DMM therein until the Chief Regulatory Officer or his or her designee and two non-[specialist] DMM Executive Floor Governors determine that the security may be returned to the original [specialist organization] DMM unit or has been reallocated pursuant to Exchange rules.

[.12] .11 Time Tracking Requirements

(A) Each [specialist] DMM and [specialist] DMM [organization] unit shall keep and provide the Exchange with records in such format as required by the Exchange indicating (a) the identity of [specialists] DMMs and the personnel of the [specialist] DMM [organization] unit available on the Floor to work with [specialists] DMMs; (b) the times during which each [specialist] DMM acts in his or her capacity as [specialist] DMM on

the Floor; and (c) the times during which personnel available on the Floor act in the capacity of a clerk to a [specialist] DMM on the Floor.

(B) Each [specialist] DMM and the personnel of the [specialist] DMM unit [organization] available on the Floor to work with the [specialist] DMM shall input the required personnel identifying information into the Exchange's IDTrack system at any post and panel in which each [specialist] DMM acts in his or her capacity as [specialist] DMM on the Floor and in which personnel available on the Floor act in the capacity of a clerk to a [specialist] DMM on the Floor.

(C) Each [specialist] DMM and the personnel of the [specialist] DMM unit [organization] available on the Floor to work with the [specialist] DMM in the capacity of a clerk shall sign and certify at the end of each trading day a daily report identifying the times that the [specialist] DMM and the clerk logged into the IDTrack system, the [specialty stocks] registered securities in which the [specialist] DMM and the clerk worked on that particular day, and the time that the [specialist] DMM and the clerk logged out of the IDTrack system. The signatures of the [specialist] DMM and the clerk will certify the accuracy of the daily reports, and the signatures will be provided by the [specialist] DMM and the clerks in the manner required by the Exchange.

DMM Capital Requirements

.20 (a) Minimum Capital Requirements

(i) Each DMM unit must maintain or have allocated to it net liquid assets that shall be the greater of \$1,000,000 or the requirements as set forth in paragraph .20(b) below, except for those DMM units that are registered in Exchange Traded Funds, as set forth in paragraph (a)(ii) of this rule.

(ii) A DMM unit that is registered in Exchange Traded Funds shall maintain the greater of \$500,000 for each Exchange Traded Fund or \$1,000,000.

(iii) NYSE Regulation must be informed immediately by a DMM unit whenever it is unable to comply with the requirements set forth in this rule as applicable.

(iv) The term "net liquid assets" refers to excess net capital computed in accordance with Rule 15c3-1, promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") and the provisions of Exchange Rule 325 ("Capital Requirements") with the following adjustments:

(A) Additions for haircuts and undue concentration charges taken pursuant to Section (c)(2)(vi)(M) of Rule 15c3-1 on registered securities in dealer accounts;

(B) Deductions for clearing organization deposits; and

(C) Deductions for any cash surrender value of life insurance policies allowable under Rule 15c3-1, under the Exchange Act.

(v) In the event that two or more DMM units are associated with each other and deal for the same DMM account, the capital requirements enumerated in this rule shall apply to such DMM units as one unit, rather than to each DMM unit individually. Any joint account must be approved by the NYSE Regulation.

(b) DMM Units— Additional Capital Requirements.—

(i) Each DMM unit subject to Rule 104 must maintain or have allocated to it minimum net liquid assets equal to:

(A) \$250,000 for each one tenth of one percent (.1%) of Exchange transaction dollar volume in its registered securities, exclusive of Exchange Traded Funds, plus \$500,000 for each Exchange Traded Fund; and

(B) A market risk add-on, which shall be calculated as follows:

(1) The DMM unit may use an NYSE Regulation-approved value-at-risk (VaR) model to calculate its market risk add-on. The VaR model must have a 99%, one-tailed confidence level with price changes equivalent to a ten business day movement in rates and prices. To calculate the market risk add-on, the DMM unit multiplies the VaR of DMM and related positions by the appropriate multiplication factor, which is set at a minimum of three. The results of quarterly backtesting determine which of the multiplication factors contained in Table 1 of this rule a DMM unit must use; or

(2) For those DMM units not utilizing VaR or whose models have not been approved by NYSE Regulation, three times the average of the prior twenty business days' securities haircuts on its DMM dealer's positions computed pursuant to Rule 15c3-1(c)(2)(vi), exclusive of paragraph (N), under the Exchange Act.

(ii) A DMM unit may apply to NYSE Regulation for authorization to use a VaR model to calculate its market risk add-on, in lieu of calculating the average of the prior twenty business days' capital requirement for securities haircuts under Exchange Act Rule 15c3-1(c)(2)(vi), exclusive of paragraph (N). Once a DMM unit has been granted approval by NYSE Regulation to use a VaR model, it shall continue to compute its net liquid asset market risk add-on using VaR, unless a change is approved upon application to the NYSE Regulation. To apply for authorization to use a VaR model pursuant to this rule, a DMM unit must submit in writing the following information to NYSE Regulation with its application:

(A) A description of the mathematical models to be used to compute its market risk add-on;

(B) A description of the requirements as set forth in paragraph .20(c) of this rule; and

(C) Any other material NYSE Regulation may request.

(iii) Notwithstanding the requirements of Rule 98, the DMM unit's net liquid assets needed to meet the requirements in this rule must be dedicated exclusively to DMM

dealer activities, and must not be used for any other purpose without the express written consent of NYSE Regulation.

(c) Definitions and Model Approval Process.—

(i) For purposes of this rule, DMM units must define the term "Exchange transaction dollar volume" consistent with the most recent Statistical Data, calculated and provided by the NYSE on a monthly basis.

(ii) For a DMM unit's VaR model to be approved, it must meet the following minimum qualitative and quantitative requirements:

(A) Qualitative Requirements.

(1) The VaR model used to calculate the market risk add-on for a position, along with a system of internal risk management controls to assist the DMM unit in managing the risks associated with its business activities, must be integrated into the daily internal risk management system of the DMM unit;

(2) The VaR model must be reviewed both periodically and annually by qualified independent member unit personnel or a qualified third party; and

(3) For purposes of computing the market risk add-on, the DMM unit must determine the appropriate multiplication factor as follows:

(I) As soon as possible, but no later than three months after the DMM unit begins using the VaR model to calculate their market risk add-on, the DMM unit must conduct backtesting of the model by comparing its actual daily net trading profit or loss with the corresponding VaR measure generated by the VaR model, using a 99 percent, one-tailed confidence level with price changes equivalent to a one business day movement in rates and prices, for each of the past 250 business days, or other period as may be appropriate for the first year of its use;

(II) On the last business day of each quarter, the DMM unit must identify the number of backtesting exceptions of the VaR model, that is, the number of business days in the past 250 business days, or other period as may be appropriate for the first year of its use, for which the actual net trading loss, if any, exceeds the corresponding VaR measure; and

(III) The DMM unit must use the multiplication factor indicated in Table 1 below in determining its market risk add-on until it obtains the next quarter's backtesting results;

Table 1. Multiplication factor based on the number of backtesting exceptions of the VaR model

Number of exceptions

Multiplication factor

<u>4 or fewer</u>	<u>3.00</u>
<u>5</u>	<u>3.40</u>
<u>6</u>	<u>3.50</u>
<u>7</u>	<u>3.65</u>
<u>8</u>	<u>3.75</u>
<u>9</u>	<u>3.85</u>
<u>10 or more</u>	<u>4.00</u>

(4) For purposes of incorporating specific risk into a VaR model, a DMM unit must demonstrate that it has methodologies in place to capture liquidity, event, and default risk adequately for each position. Furthermore, the models used to calculate deductions for specific risk must:

(I) Explain the historical price variation in the portfolio;

(II) Capture concentration (magnitude and changes in composition);

(III) Be robust to an adverse environment; and

(IV) Be validated through backtesting.

(B) Quantitative Requirements.

(1) For purposes of determining market risk add-on, the VaR model must use a 99 percent, one-tailed confidence level with price changes equivalent to a ten-business day movement in rates and prices;

(2) The VaR model must use an effective historical observation period of at least one year. The DMM unit must consider the effects of market stress in its construction of the model. Historical data sets must be updated at least monthly and reassessed whenever market prices or volatilities change significantly; and

(3) The VaR model must take into account and incorporate all significant, identifiable market risk factors applicable to positions in the accounts of the DMM unit, including:

(I) Risks arising from the non-linear price characteristics of derivatives and the sensitivity of the market value of those positions to changes in the volatility of the derivatives' underlying rates and prices;

(II) Empirical correlations with and across risk factors or, alternatively, risk factors sufficient to cover all the market risk inherent in the positions in the dealer accounts of the DMM unit; and

(III) Specific risk for individual positions.

(d) Maintaining a Fair and Orderly Market.—

Solely for the purpose of maintaining a fair and orderly market, NYSE Regulation may, for a period not to exceed 5 business days, allow a DMM unit to continue to operate despite such DMM unit's non-compliance with the provisions of the minimum requirements of this rule.

.21 Relief DMMs.—

(1) The requirements with respect to a member registered as a full time relief DMM, i.e., one who may be called upon to act as a relief DMM for an entire business day, shall be, net liquid assets of \$150,000.

(2) There is no requirement with respect to a member acting as a part-time relief DMM, i.e., one who may be called upon to act as a relief DMM for less than the entire business day, usually for lunch periods, etc. Dealings effected by a part-time relief DMM while relieving the regular DMM must be made for the account of the regular DMM whom he or she is relieving.

* * * * *

This version of Rule 104 is operative through October 14, 2008

Rule 104T. Dealings by [Specialists] DMMs

(a) No [specialist] DMM shall effect on the Exchange purchases or sales of any security in which such [specialist] DMM is registered, for any account in which he, his member organization or any other member, allied member, or approved person, (unless an exemption with respect to such approved person is in effect pursuant to Rule 98) in such organization or officer or employee thereof is directly or indirectly interested, unless such dealings are reasonably necessary to permit such [specialist] DMM to maintain a fair and orderly market, or to act as an odd-lot dealer in such security.

(aa)

(i) The [specialist] DMM shall have the ability to algorithmically quote in any security in reaction to certain information, which will not include information about incoming orders as such orders are entering Exchange systems.

(ii) The [specialist] DMM shall have the ability to algorithmically execute transactions against the Exchange best bid or offer ("Hit Bid/Take Offer") in any security in reaction to certain information, which will not include information about incoming orders as such orders are entering Exchange systems. Hit Bid/Take Offer messages will be processed by the Display Book in such a manner that [specialists] DMMs and other market participants will have a similar opportunity to trade with the Exchanges' published quotation.

(b) [Specialists] DMMs shall have the ability to establish systems employing algorithms to generate quoting and trading messages, as detailed below, which will be delivered to the Display Book[®] system via an external quote application programmed interface ("API").

(i) In reaction to information, including but not limited to, an incoming order as it is entering NYSE systems, the [specialist's] DMM's system employing algorithms may generate messages for any of the following quoting or trading actions, provided such algorithmically-generated messages are in reaction to only one order at a time:

Quoting Messages:

- (A) supplement the size of the existing Exchange published best bid or offer;
- (B) place within the Display Book[®] system [specialist] DMM reserve interest at the Exchange published best bid [and] or offer as described in (d) below;
- (C) layer within the Display Book[®] system [specialist] DMM interest at varying prices outside the published Exchange quotation ("[specialist] DMM interest");
- (D) establish the Exchange best bid [and] or offer; and
- (E) withdraw previously established [specialist] DMM interest at the Exchange best bid [and] or offer.

Trading Messages:

- (F) provide additional [specialist] DMM volume to partially or completely fill an order either at the Exchange published best bid or offer price or at a sweep price;
- (G) match better bids and offers published by other market centers where automatic executions are immediately available;

(H) provide price improvement to an order subject to the conditions set forth in (e) below; and

(I) trade with the Exchange published best bid or offer.

(ii) [Specialists] DMMs may open a security on a quote when there is no opening trade by sending an automated opening message through the API (see Exchange Rule 123D).

(iii) Exchange systems shall:

(A) enforce the proper sequencing of incoming orders and algorithmically-generated messages; and

(B) ensure that algorithmically-generated messages to trade with the Exchange [published best bid or offer] BBO are processed by the Display Book[®] in such a manner that [specialists] DMMs and other market participants have a similar opportunity to trade with the published quotation.

(c)

(i) All algorithmically-generated messages delivered via the API must include a code identifying the reason for the algorithmic action, the unique identifier of the order to which the algorithmically-generated message is reacting, (if any), the unique identifier of the order immediately preceding the generation of the algorithmically-generated message and any other information the Exchange may require. In addition,

(A) Algorithmically-generated messages to trade with the Exchange published [best bid or offer] BBO, as provided in (b)(i)(I) above, must include the unique identifier for the publicly- disseminated Exchange best bid or offer to which the algorithmic message is reacting.

(B) The Exchange will designate the reason codes, unique identifiers for orders and quotations and the format of any other required information for use in algorithmically-generated messages.

(C) Identification of a particular order and/or quotation in an algorithmically-generated message does not guarantee that the [specialist] DMM will trade with that order or quotation or that the [specialist] DMM has priority in trading with that order or quotation.

(D) The Exchange will automatically cancel algorithmically-generated messages that are unable to interact with the order or quotation identified by the message where the reason code and the proposed algorithmic action are inconsistent, where the message activity would create a locked or crossed market, where the identifiers described above in (c) are not designated, and in other similar situations.

(ii) The [specialist] DMM system employing algorithms will not have access to the following types of information:

- (A)** information which identifies the firms entering orders, customer information, or an order's clearing broker;
 - (B)** Floor broker agency interest files or aggregate Floor broker agency interest available at each price; or
 - (C)** cancellation of an order, except for cancel and replace orders.
- (iii)** Algorithmically-generated messages must comply with all SEC and Exchange rules, policies and procedures governing [specialist] DMM proprietary trading.
- (iv)** Algorithmically-generated messages must not create a locked or crossed market, as defined in Exchange Rule 15A.
- (v)** The Display Book[®] will not process algorithmically-generated messages during the time a block-size transaction (as defined in Rule 127) involving orders on the Display Book[®] is being reported pursuant to manual reporting.
- (vi)** The Display Book[®] will not process algorithmically-generated messages when automatic executions are suspended, except:
- (i)** when automatic executions are suspended but autoquote is available, the Display Book[®] will process algorithmically-generated messages to improve the Exchange best bid or offer or supplement the size of an existing best bid or offer; and
 - (ii)** where automatic executions and autoquote are suspended, the Display Book[®] will:
 - (1)** process algorithmically-generated messages to layer within the Display Book[®] system [specialist] DMM interest at prices outside the published Exchange quotation; and
 - (2)** permit [specialists] DMMs to manually layer interest within the Display Book[®] system, as provided in (viii), below, at prices that are within a previously-established locking or crossing quotation.
- (vii)** The Display Book[®] shall not process algorithmically-generated messages transmitted via the API that will trigger the automatic execution of an auction limit or an auction market order pursuant to Rule 123F or that will result in such order's execution with an existing contra-side [specialist] DMM bid or offer. However, the Display Book[®] will process algorithmically-generated messages to provide price improvement to auction limit and auction market orders in accordance with the price improvement parameters described in (e).
- (viii)** [Specialists] DMMs shall have the ability to manually layer within the Display Book[®] system [specialist] DMM interest, including reserve interest, at varying prices at and outside the Exchange [best bid and offer] BBO. Such interest remains in the Display Book[®] system until traded with or cancelled.

(ix) [Specialist] DMM algorithmically-generated messages will compete with or trade along with same-side discretionary e-QuotesSM in the manner described in Exchange Rule 70.25.

(d)

(i) [Specialists] DMMs shall have the ability to maintain undisplayed reserve interest on behalf of the dealer account at the Exchange best bid [and] or offer provided at least one round-lot of dealer interest is displayed at that price on the same side of the market as the reserve.

(ii) After an execution involving [specialist] DMM interest at the Exchange [best bid or offer] BBO that does not exhaust the [specialist's] DMM's interest at that price, the [specialist's] DMM's displayed interest will be automatically replenished from the reserve interest, if any, so that at least one round-lot of [specialist] DMM interest is displayed.

(iii) [Specialist] DMM reserve interest will be on parity with Floor broker agency file reserve interest and, like it, shall yield to all other displayed interest eligible to trade at the Exchange bid or offer (See Rule 70.20(c)).

(e)

(i) A [specialist] DMM may provide algorithmically-generated price improvement to all or part of a marketable incoming order including an auction limit order and an auction market order provided the [specialist] DMM is represented in a meaningful amount in the bid with respect to price improvement provided to an incoming sell order and in the offer with respect to price improvement provided to an incoming buy order. The price improvement to be supplied by the [specialist] DMM must be at least one cent.

(ii) For the purposes of this rule, "meaningful amount" shall constitute at least ten round-lots for the 100 most active securities on the Exchange, based on average daily volume, and at least five round-lots for all other securities on the Exchange. A list of the 100 most active securities on the Exchange will be disseminated quarterly, or more frequently, as the Exchange from time to time shall determine.

(f)

(i) Each [specialist firm] DMM unit shall maintain an electronic log of all algorithmically-generated messages, including the date and time of each algorithmically-generated message and such other information as the Exchange shall designate. Such log shall be maintained in accordance with SEC and Exchange rules regarding books and records and shall be capable of being provided to the Exchange upon request, in such time and in such format as the Exchange shall designate.

(ii) Each [specialist firm] DMM unit shall notify the Exchange in writing, within such time as the Exchange shall designate, whenever the system employing algorithms or an

individual algorithm is not operating and the time, cause, and duration of such non-operation.

(g) During the day, [specialists] DMMs on the Floor may interact with the system employing the [firm's] unit's algorithms or an individual algorithm with respect to the securities they are trading by:

(i) activating or deactivating the [firm's] unit's algorithms from a group of pre-set algorithms made available by the [specialist firm] DMM unit, or

(ii) adjusting the [firm's] unit's pre-set parameters guiding algorithm decision-making.

(h) [Specialists] DMMs must have an independent third party auditor review on an annual basis all [specialist] DMM unit systems employing algorithms and all algorithms to ensure that they operate in accordance with all SEC and Exchange rules, policies, and procedures. The Exchange shall have the right to request originals and copies of any reports, notes, analysis, documents and similar types of materials prepared by or on behalf of, or reviewed by such independent auditor, as the Exchange deems appropriate.

(i) Each [specialist firm] DMM unit shall certify in the time, frequency, and manner as prescribed by the Exchange, that the system employing its algorithms and all algorithms operate in accordance with all SEC and Exchange rules, policies and procedures.

• • • *Supplementary Material:* -----

Functions of [Specialists] DMMs

.10 Regular DMMs [specialists]—Any member who expects to act regularly as [specialist] DMM in any listed stock and to solicit orders therein must be registered as a regular [specialist] DMM.

The function of a member acting as regular [specialist] DMM on the Floor of the Exchange includes[, in addition to the effective execution of commission orders entrusted to him], the maintenance, in so far as reasonably practicable, of a fair and orderly market on the Exchange in the stocks in which he is so acting. This is more specifically set forth in the following:

(1) The maintenance of a fair and orderly market implies the maintenance of price continuity with reasonable depth, and the minimizing of the effects of temporary disparity between supply and demand.

(2) In connection with the maintenance of a fair and orderly market, it is commonly desirable that a member acting as [specialist] DMM engage to a reasonable degree under existing circumstances in dealings for his or her own account when lack of price continuity, lack of depth, or disparity between supply and demand exists or is reasonably to be anticipated.

(3) Transactions on the Exchange for his own account effected by a member acting as [specialist] DMM must constitute a course of dealings reasonably calculated to contribute to the maintenance of price continuity with reasonable depth, and to the minimizing of the effects of temporary disparity between supply and demand, immediate or reasonably to be anticipated. Transactions not part of such a course of dealings or in acting as an odd-lot dealer are not to be effected.

(4) A [specialist's] DMM's quotation, made for his own account, should be such that a transaction effected thereon, whether having the effect of reducing or increasing the [specialist's] DMM's position, will bear a proper relation to preceding transactions and anticipated succeeding transactions.

(5)

(i) Transactions on the Exchange by a [specialist] DMM for the [specialist's] DMM's account are to be effected in a reasonable and orderly manner in relation to the condition of the general market, the market in the particular stock and the adequacy of the [specialist's] DMM's position to the immediate and reasonably anticipated needs of the round-lot and the odd-lot market.

(a) The following types of transactions are permitted when they are reasonably necessary to render the [specialist's] DMM's position adequate to such markets' needs:

(I) Neutral Transactions

(a) Definition - A neutral transaction is a purchase or sale by which a [specialist] DMM liquidates or decreases a position.

(b) Neutral Transactions may be made without restriction as to price.

(c) Re-entry Obligation Following Neutral Transactions - The [specialist's] DMM's obligation to maintain a fair and orderly market may require re-entry on the opposite side of the market trend after effecting one or more Neutral Transactions. Such re-entry transactions should be in accordance with the immediate and anticipated needs of the market.

(d) Neutral Transactions must yield parity to, and may not claim precedence based on size over, a customer order in the Crowd upon the request of the member representing such order, where such request has been documented as a term of the order, to the extent of the volume of such order that has been included in the quote prior to the transaction.

(e) The requirements contained in (5)(i)(a)(I)(d) above shall not apply to automatic executions involving the [specialist] DMM dealer account.

(II) Non-Conditional Transactions

(a) Definition - A non-conditional transaction is a [specialist's] DMM's bid or purchase and offer or sale, that establishes or increases a position, other than a transaction that reaches across the market to trade with the Exchange bid or offer.

(b) Non-Conditional Transactions may be made without restriction as to price in order to:

(i) match another market's better bid or offer price;

(ii) bring the price of a security into parity with an underlying or related security or asset;

(iii) add size to an independently established bid or offer on the Exchange;

(iv) purchase at the published bid price on the Exchange;

(v) sell at the published offer price on the Exchange;

(vi) purchase or sell at a price between the Exchange published bid and published offer;

(vii) purchase below the published bid or sell above the published offer on the Exchange;

(c) Re-entry Obligation Following Non-Conditional Transactions - The [specialist's] DMM's obligation to maintain a fair and orderly market may require re-entry on the opposite side of the market trend after effecting one or more Non- Conditional Transactions. Such re-entry transactions should be commensurate with the size of the Non-Conditional Transactions and the immediate and anticipated needs of the market.

(b) During the operation of Rule 104.10(6) pursuant to the pilot program set to end on [June] September 30, 2008, the provisions of this subparagraph (5)(b) shall not apply.

(I) The following types of transactions by a [specialist] DMM for the [specialist's] DMM's account to establish or increase a position that reach across the market to trade with the Exchange bid or offer are not to be effected except when, with the approval of a Floor Official, the transactions are reasonably necessary to render the [specialist's] DMM's position adequate to the immediate and reasonably anticipated needs of the round-lot and the odd-lot market and the [specialist]DMM reoffers or rebids where necessary after effecting such transaction:

(a) a purchase at a price above the last trade price on the Exchange;

(b) a sale at a price below the last trade price on the Exchange;

(c) the purchase of more than 50% of the stock offered in the market at a price equal to the last trade price where such last trade price was higher than the last differently priced regular way sale.

(c) Prohibited Transactions

(I) During the last ten minutes prior to the close of trading, a [specialist] DMM with a long position in a security is prohibited from making a purchase in such security that results in a new high price on the Exchange for the day at the time of the [specialist's] DMM's transaction, except as provided in subparagraphs (5)(i)(a)(II)(b)(i) through (5)(i)(a)(II)(b)(ii) above.

(II) During the last ten minutes of trading, a [specialist] DMM with a short position in a security is prohibited from making a sale in such security, that results in a new low price on the Exchange for the day at the time of the [specialist's] DMM's transaction, except as provided in subparagraphs (5)(i)(a)(II)(b)(i) through (5)(i)(a)(II)(b)(ii) above.

(ii) Whenever a specialist effects a principal purchase of a specialty stock, in another market center at or above the price at which the specialist holds orders to sell that stock, such orders which remain unexecuted on the Floor must be filled by the specialist buying the stock for the specialist's account at the same price at which the principal transaction was effected; above unless effecting such a principal transaction on the Floor at that price would be inconsistent with the maintenance of fair and orderly markets.

(iii) Whenever a specialist effects a principal sale of a specialty stock in another market center at or below the price at which the specialist holds orders to buy that stock, such orders which remain unexecuted on the Floor must be filled by the specialist selling the stock for the specialist's account at the same price at which the principal transaction was effected unless effecting such principal transaction on the Floor at that price would be inconsistent with the maintenance of fair and orderly markets and provided further that effecting such a principal transaction on the Floor, at that price, would not be precluded by the short selling rules, or would not result in a sale to a stabilizing bid.]

(6) [Specialist] DMM Transactions in Securities that Establish or Increase the [Specialist's] DMM's Position:

The provisions of this rule are pursuant to a pilot program set to end on [June] September 30, 2008.

(i) Definition - A "Conditional Transaction" is a [specialist's] DMM's transaction in a security that establishes or increases a position and reaches across the market to trade as the contra-side to the Exchange published bid or offer.

(ii) The following Conditional Transactions, may be made by a [specialist] DMM without restriction as to price, provided they are followed by appropriate re-entry on the opposite side of the market commensurate with the size of the [specialist's] DMM's transaction. ("Appropriate" re-entry shall mean re-entry on the opposite side of the market at or before the price participation point or the "PPP".):

(a) A [specialist's] DMM's purchase from the Exchange published offer that is priced above the last differently-priced trade on the Exchange and above the last differently-priced published offer on the Exchange; and

(b) A [specialist's] DMM's sale to the Exchange published bid that is priced below the last differently-priced trade on the Exchange and below the last differently-priced published bid on the Exchange.

(iii) Re-entry Obligations for Conditional Transactions:

(a) "PPPs"—The Exchange will periodically issue guidelines, called price participation points ("PPP"), that identify the price at or before which a [specialist] DMM is expected to re-enter the market after effecting a Conditional Transaction. PPPs are only minimum guidelines and compliance with them does not guarantee that a [specialist] DMM is meeting its obligations.

(b) Notwithstanding that a security may not have reached the PPP, the [specialist] DMM may be required to re-enter the market immediately after a Conditional Transaction based on the price and/or volume of the [specialist's] DMM's trading in reference to the market in the security at the time of such trading. In such situations [specialists] DMMs may not rely on the fact that there may have been one or more independent trades following the [specialist's] DMM's trading to justify a failure to re-enter the market.

(c) Immediate re-entry is required after the following Conditional Transactions:

(I) A purchase that (1) reaches across the market to trade with an Exchange published offer that is above the last differently priced trade on the Exchange and above the last differently priced published offer on the Exchange, (2) is 10,000 shares or more or has a market value of \$200,000 or more, and (3) exceeds 50% of the published offer size.

(II) A sale that (1) reaches across the market to trade with an Exchange published bid that is below the last differently priced trade on the Exchange and below the last differently priced published bid on the Exchange, (2) is 10,000 shares or more or has a market value of \$200,000 or more, and (3) exceeds 50% of the published bid size.

(III) Each trade at a separate price in a Sweep is viewed as a transaction with the published bid or offer for the purpose of subparagraphs (6)(iii)(c)(I) and (6)(iii)(c)(II) above.

(iv) The following Conditional Transactions may be made without restriction as to price:

(a) A [specialist's] DMM's purchase from the Exchange published offer that is priced above the last differently-priced trade on the Exchange or above the last differently-priced published offer on the Exchange; and

(b) A [specialist's] DMM's sale to the Exchange published bid that is priced below the last differently-priced trade on the Exchange or below the last differently-priced published bid on the Exchange.

(c) Re-entry obligations following transactions defined in subparagraphs (6)(iv)(a) and (6)(iv)(b) above are the same as for Non-Conditional Transactions pursuant to subparagraph (5)(i)(a)(II)(c) above.

(7) The requirement to obtain Floor Official approval for transactions for a [specialist's] DMM's own account contained in subparagraphs (5)(i)(b)(I)(a) through (5)(i)(b)(I)(c) above shall not apply to transactions effected in an investment company unit (the "unit"), as that term is defined in Section 703.16 of the Listed Company Manual, or a Trust Issued Receipt (the "receipt") as that term is defined in Rule 1200, streetTRACKS® Gold Shares as the term is defined in Rule 1300 or Currency Trust Shares as the term is defined in Rule 1301A. Nevertheless such transactions must be effected in a manner that is consistent with the maintenance of a fair and orderly market and with the other requirements of this rule and the supplementary material herein.

(8) When inquiry is made of a [specialist] DMM as to the price at which a block of stock may be sold, the [specialist] DMM may advise the broker of the "clean up" price for the block, after trading with the published bid (offer). If, as a result of this inquiry, the block is sold and the [specialist] DMM participates as a dealer at the "clean up" price, he or she should also execute at the same price the executable buy orders held by him or her. The same principle applies in the event an inquiry is made with respect to an order to purchase a block of stock.

(9) A [specialist's] DMM's bid or offer in a [specialty stock] registered security on the Exchange may not be inferior to the [specialist's] DMM's market maker bid or offer disseminated by an electronic communications network (as that term is defined in Securities and Exchange Commission Rule 600(b)(23) of Regulation NMS) or any other market center. A [specialist] DMM may not disseminate a market maker bid or offer on another market center or electronic communications network at a price at which Exchange rules would preclude dissemination of such bid or offer on the Exchange.

(10)

(i) Notwithstanding the ability of a [specialist] DMM to trade for his or her dealer account, dealer transactions by a [specialist] DMM that have not yet been reported by the [specialist] DMM must yield to any order or orders received through an Exchange order delivery system after the oral commitment to transact, provided that such order or orders are capable of trading in place of the [specialist] DMM in the consummated transaction.

(ii) The provisions of subparagraph (i) above shall not apply if the [specialist's] DMM's trade for his or her dealer account:

(a) is to correct an error on a previously reported transaction;

(b) is executed in satisfaction of the [specialist's] DMM's obligation to give up a trade to an agency order;

(c) is a non-regular way trade between the [specialist] DMM and a customer order;

- (d) is the result of the election of CAP orders pursuant to Exchange Rule 123A.30;
- (e) is in connection with the execution of CAP orders as part of the opening of trading;
or
- (f) participates on the closing transaction in a security to offset a market-at-the-close and/or limit-at-the-close order imbalance.

(iii) Transactions by a [specialist] DMM pursuant to subparagraph (ii) above must be documented and reported to the Exchange in such manner and within such time as the Exchange shall designate.

.11 Participation at openings or reopenings. A [specialist] DMM should avoid participating as a dealer in opening or reopening a stock in such a manner as to upset the public balance of supply and demand as reflected by market and limited price orders, unless the condition of the general market or the [specialist's] DMM's position in light of the reasonably anticipated needs of the market makes it advisable to do so. He may, however, buy or sell stock as a dealer to minimize the disparity between supply and demand at an opening or reopening.

.11A Tier 1 and Tier 2 component stock quotations. The function of a member acting as a regular [specialist] DMM on the Floor of the Exchange includes the establishment of quotations for the "ESP Service" (as Rule 800 (Basket Trading: Applicability and Definitions) defines that term). In respect of a [speciality stock] registered security that is a component stock of a "basket" (as Rule 800 defines that term), the [specialist] DMM shall, whenever all of the basket's component stocks listed on the Exchange are open for trading:

(a) establish, maintain and communicate a "Tier 1 component stock" bid and offer and a "Tier 2 component stock" bid and offer (as Rule 800 defines those terms) for the stock in accordance with such parameters, and in such manner, as the Exchange may from time to time prescribe; and

(b) upon receiving a "basket execution notice" (as Rule 800 defines that term), assign, take or supply the component stock at the execution price as follows:

(i) if the execution price reflected in the basket execution notice is the same as the quotation prevailing at the time of his receipt of the notice, he shall apply the rules of priority and precedence set forth in Rule 72 (Priority and Precedence of Bids and Offers);

(ii) if the execution price reflected in the basket execution notice is inferior to the quotation prevailing at the time of his receipt of the notice (as, for instance, where the prevailing quotation improves from the time the [specialist] DMM communicated his Tier 1 component stock quotation), he shall apply the rules of priority and precedence set forth in Rule 71 (Precedence of Highest Bid and Lower Offer) and Rule 72 as if the execution price equaled the prevailing quotation, although the assigned price shall nevertheless be the price indicated in the execution notice;

(iii) if the execution price reflected in the basket execution notice is superior to the quotation prevailing at the time of his receipt of the notice, or if the [specialist's] DMM's market in the component stock is halted, he shall take or supply the necessary shares at the execution price indicated in the basket execution notice; and

(iv) if the [specialist's] DMM's market in the component stock is not firm, he shall, if practicable, assign the execution at the execution price indicated in the basket execution notice by applying the rules of priority and precedence set forth in Rule 71 and Rule 72; otherwise he shall take or supply the necessary shares at that price.

For the purposes of clauses (i) and (ii), if the size of the quotation(s) on the book or in the trading crowd that are better than or at the execution price indicated in the basket execution notice is not sufficient to take or supply the requisite number of shares, the [specialist] DMM shall take or supply the remaining number of shares at that price. In accordance with paragraph (a) of Rule 800, the rules pertaining to ITS and trading through ITS shall not apply to the assignment, taking or supplying of stock under this paragraph (b).

The [specialist's] DMM's obligation to assign, take or supply stock under clause (b) above is limited to:

(a) if the basket order is executed at the aggregate Tier 1 quotation, the share representation of the stock in one basket; and

(b) if the basket order is executed at the aggregate Tier 2 bid or offer, the share representation of the stock in up to three baskets.

The [specialist] DMM must take or supply stock as necessary to meet these obligations notwithstanding other trading restrictions of this Rule and Rule 440B (Short Sales). In doing so, the [specialist] DMM is exempt from the trading restrictions of this Rule.

An execution through the ESP Service against an "aggregate Tier 1" bid (offer) or an "aggregate Tier 2" bid (offer) (as Rule 800 defines those terms) (a) shall suspend the [specialist's] DMM's obligation to make and communicate such tier's component stock bid (offer) for 30 seconds or for such other period as the Exchange shall from time to time prescribe and (b) shall not cause any order entrusted to the [specialist] DMM to be elected. The inability of the Exchange to disseminate quotations in one or more component stocks as a result of systems problems shall also suspend the [specialist's] DMM's obligation to make and communicate Tier 1 and Tier 2 component stock quotations.

The [specialist] DMM shall report for dissemination such transaction-related information relating to Tier 1 and Tier 2 component executions as the Exchange may from time to time prescribe.

.11B See paragraph (c)(v) of Rule 800 in respect of the impact of this Rule on the ability of a [specialist] DMM to initiate basket transactions and paragraph (c)(vi) of Rule 800 in respect of the impact of basket transactions on the calculation of stock positions.

.11C See paragraph (d)(iv) of Rule 900 (Off-Hours Trading: Applicability and Definitions) in respect of (a) the impact of Off-Hours Trading on the calculation of stock positions.

.12 [Specialists'] DMM Investment Accounts. Under certain circumstances a [specialist] DMM may assign [specialty stocks] registered securities to an investment account. Purchases creating or adding to a position in an investment account which are not reasonably necessary to permit the maintenance of a fair and orderly market or to act as an odd-lot dealer are not to be made.

In the maintenance of price continuity with reasonable depth, it is commonly desirable for a [specialist] DMM to supply stock to the market, even though he may have to sell short to do so, to the extent reasonably necessary to meet the needs of the market.

A [specialist] DMM may not effect a transfer of a [specialty stock] registered security from his dealer account to an investment account if the transfer would result in creating a short position in the dealer account.

A [specialist] DMM may not assign to an investment account any [specialty stock] registered security which was purchased in the round-lot market on a "plus" or "zero plus" tick. In addition, in order to make such assignment, he or she must have maintained, with respect to purchases in that stock, a stabilization rate of at least 75%, measured by the Tick Test, as defined in Rule 112(d)(3), for the day of purchase, and for the entire calendar week encompassing that day.

If a "net long" position is created as a result of the maintenance of an investment position in a [specialty stock] registered security while a short position exists in the [specialist's] DMM's dealer account, the [specialist] DMM may not cover such a short position by purchasing stock in the round-lot market on a "plus" tick. In addition, he or she must also limit his or her purchase to no more than 50% of the stock offered on a "zero plus" tick, and in no event may he or she purchase the final 100 shares offered.

See paragraph (d)(iii) of Rule 900 in respect of (a) the assignment of a [specialty] registered security acquired through the Off-Hours Trading Facility to an investment account and (b) the purchase of securities through the Off-Hours Trading Facility to cover a short position in a dealer account.

Reporting Requirements

In connection with investment positions in [specialty stocks] registered securities, a [specialist] DMM shall report to the Exchange, on such form and in such format as the Exchange may from time to time prescribe, a record of all transactions effected for investment purposes.

The [specialist] DMM shall also report to the Exchange, on such form and in such format as the Exchange may from time to time prescribe, a record of all transactions effected for investment purposes for the account of any person specified in Rule 104.13.

.12A Positions in Securities of NYSE Euronext. Any position held by the [specialist member organization] DMM unit registered in any security that is issued by NYSE Euronext that is restricted as to sale or transfer as specified in Article IV, Section 4 of the amended and restated Certificate of Incorporation shall not be considered an investment account position for purposes of Rule 104.12 of the Exchange while such restrictions are in effect.

.13 Investment Transactions.—

(a) Any transactions effected for the benefit of any of the following persons in stocks in which a [specialist] DMM is registered must be for investment purposes:

(i) any member, allied member, officer, employee or person or party active in the business of the [specialist] DMM;

(ii) the spouse and children of any of the above-named persons or parties who reside in the same household as such person or party; or

(iii) any approved person who is affiliated with the [specialist] DMM (other than an approved person entitled to an exemption from this Rule pursuant to Rule 98.)

(b) Any transaction included within paragraph (a) may only be made as follows:

(i) acquisitions at prices below the last different price—on "minus" or "zero minus" ticks; and

(ii) liquidations at prices above the last different price—on "plus" or "zero plus" ticks—except with the prior approval of the Exchange.

(c) All off-Floor orders entered for any of the above-named accounts must be identified so that such orders will not be executed prior to any agency order received by the [specialist] DMM at the same price even though such agency order may be received subsequent to the identified order.

(d) No [specialist] DMM, and no member, allied member, approved person (other than an approved person entitled to an exemption from this rule pursuant to Rule 98) affiliated with such [specialist] DMM, officer, employee or person active in the business of the [specialist] DMM shall originate orders in stocks in which such [specialist] DMM is registered for any account over which they exercise investment discretion.

(e) Transactions in a stock in which a [specialist] DMM is registered effected for trust accounts, including "blind" accounts, for the benefit of such [specialist] DMM or any person specified in paragraph (a) shall be subject to the provisions of this rule.

Transactions in a fund which invests broadly in securities and which may from time to time invest in a security in which a [specialist] DMM is registered, shall not be subject to this rule.

.13A Positions in Securities of NYSE Euronext. Any position held for the benefit of any of the persons enumerated in Rule 104.13(a) in a security issued by NYSE Euronext that is restricted as to sale or transfer as specified in Article IV, Section 4 of the amended and restated Certificate of Incorporation in which the related [specialist member organization] DMM unit is registered shall not be subject to the provisions of Rule 104.13 of the Exchange while such restrictions are in effect.

.14 LIFO transactions. A member acting as a [specialist] DMM may not effect transactions for the purpose of adjusting a LIFO inventory in a stock in which he is so acting except as a part of a course of dealings reasonably necessary to assist in the maintenance of a fair and orderly market.

.15 Relief [specialists] DMMs. Any member registered as a regular [specialist] DMM must either (1) be associated with other members also registered as regular [specialists] DMMs in the same stocks, either through a partnership or a member corporation or a joint account, and arrange for at least one member of the group to be in attendance during the hours when the Exchange is open for business, or (2) arrange for the registration by at least one other member as relief [specialist] DMM, who would always be available, in the regular [specialist's] DMM's absence, to take over the "book" and to service the market, so that there would be no interruption of the continuity of service during the hours when the Exchange is open for business.

The same obligations and responsibilities for the maintenance and stabilization of markets which rest upon regular [specialists] DMMs, rest also upon relief [specialist] DMM while in possession of the "book."

Approval of the registration of a regular [specialist] DMM as a relief [specialist] DMM will be granted provided that the surrounding circumstances are such as to permit him or her to act in such relief capacity, and at the same time insure the adequate servicing of the stocks in which he or she is registered as a regular [specialist] DMM and the proper performance of his or her dealer function therein.

.17 Temporary [specialists] DMMs. In the event of an emergency, such as the absence of the regular and relief [specialists] DMMs, or when the volume of business in the particular stock or stocks is so great that it cannot be handled by the regular and relief [specialists] DMMs without assistance, a Floor Governor may authorize a member of the Exchange who is not registered as a [specialist] DMM or relief [specialist] DMM in such stock or stocks, to act as temporary [specialist] DMM for that day only.

A member who acts as a temporary [specialist] DMM by such authority is required to file with Market Surveillance, at the end of the day, a report showing (a) the name of the stock or stocks in which he or she so acted, (b) the name of the regular [specialist] DMM, (c) the time of day when he or she so acted, and (d) the name of the Floor Governor who

authorized the arrangement. The necessary forms may be obtained at the Information Desk.

The Floor Governor will not give such authority for the purpose of permitting a member not registered as [specialist] DMM or relief [specialist] DMM habitually to relieve a regular [specialist] DMM at lunch periods, etc.

If a temporary [specialist] DMM substitutes for a regular [specialist] DMM, and if no regular or relief [specialist] DMM is present, the temporary [specialist] DMM is expected to assume the obligations and responsibilities of regular [specialists] DMMs for the maintenance and stabilization of the market.

[Capital Requirements of Specialists

.20 Specialists Organizations— Minimum Capital Requirements.—

(1) A specialist organization that is registered in Exchange Traded Funds shall maintain the greater of \$500,000 for each Exchange Traded Fund or \$1,000,000.

(2) Each specialist organization must maintain net liquid assets which shall be the greater of \$1,000,000 or the requirements set forth in Rule 104.21, except for those specialist organization that are registered in Exchange Traded Funds, as set forth in 104.20(1) above.

(3) The Division of Member Firm Regulation must be informed immediately by a specialist organization whenever it is unable to comply with the requirements set forth in Rules 104.20 or .21, as applicable.

(4) The term "net liquid assets" refers to excess net capital computed in accordance with Rule 15c3-1, promulgated under the Securities Exchange Act of 1934 (the "Exchange Act") and the provisions of Exchange Rule 325 ("Capital Requirements") with the following adjustments:

(i) Additions for haircuts and undue concentration charges taken pursuant to Section (c)(2)(vi)(M) of Rule 15c3-1 on specialty securities in dealer accounts;

(ii) Deductions for clearing organization deposits; and

(iii) Deductions for any cash surrender value of life insurance policies allowable under Rule 15c3-1, under the Exchange Act.

(5) In the event that two or more specialist organizations are associated with each other and deal for the same specialist account, the capital requirements enumerated in Rules 104.20 and .21 shall apply to such specialist organizations as one unit, rather than to each specialist organization individually. Any joint account must be approved by the Divisions of Market Surveillance and Member Firm Regulation.

.21 Specialist Organizations— Additional Capital Requirements.—

(1) Each specialist organization subject to Rule 104.21 must maintain minimum net liquid assets equal to:

(i) \$250,000 for each one tenth of one percent (.1%) of Exchange transaction dollar volume in its registered securities, exclusive of Exchange Traded Funds, plus \$500,000 for each Exchange Traded Fund; and

(ii) A market risk add-on, which shall be calculated as follows:

(a) The specialist organization may use an Exchange-approved value-at-risk (VaR) model to calculate its market risk add-on. The VaR model must have a 99%, one-tailed confidence level with price changes equivalent to a ten business day movement in rates and prices. To calculate the market risk add-on, the specialist organization multiplies the VaR of specialist dealer and related positions by the appropriate multiplication factor, which is set at a minimum of three. The results of quarterly backtesting determine which of the multiplication factors contained in Table 1 of Rule 104.22 a specialist organization must use; or

(b) For those specialist organizations not utilizing VaR or whose models have not been approved by the NYSE, three times the average of the prior twenty business days' securities haircuts on its specialist dealer's positions computed pursuant to Rule 15c3-1(c)(2)(vi), exclusive of paragraph (N), under the Exchange Act.

(2) A specialist organization may apply to the Exchange for authorization to use a VaR model to calculate its market risk add-on, in lieu of calculating the average of the prior twenty business days' capital requirement for securities haircuts under Exchange Act Rule 15c3-1(c)(2)(vi), exclusive of paragraph (N). Once a specialist organization has been granted approval by the Exchange to use a VaR model, it shall continue to compute its net liquid asset market risk add-on using VaR, unless a change is approved upon application to the Exchange. To apply for authorization to use a VaR model pursuant to NYSE Rule 104.21(1)(ii)(a), a specialist must submit in writing the following information to Member Firm Regulation with its application:

(a) A description of the mathematical models to be used to compute its market risk add-on;

(b) A description of the requirements as set forth in Exchange Rule 104.22; and

(c) Any other material the Exchange may request.

(3) Notwithstanding the requirements of Rule 98(b)(vii) (Capital Requirements Met Separately), the specialist organization's net liquid assets needed to meet the requirements in Rules 104.20 and .21 must be dedicated exclusively to specialist dealer activities, and must not be used for any other purpose without the express written consent of the Exchange.

.22 Definitions and Model Approval Process.—

(1) For purposes of this Rule 104, specialist organizations must define the term "Exchange transaction dollar volume" consistent with the most recent Statistical Data, calculated and provided by the NYSE on a monthly basis.

(2) For a specialist organization's VaR model to be approved, it must meet the following minimum qualitative and quantitative requirements:

(a) Qualitative Requirements.

(i) The VaR model used to calculate the market risk add-on for a position, along with a system of internal risk management controls to assist the specialist organization in managing the risks associated with its business activities, must be integrated into the daily internal risk management system of the specialist organization;

(ii) The VaR model must be reviewed both periodically and annually by qualified independent member organization personnel or a qualified third party; and

(iii) For purposes of computing the market risk add-on, the specialist organization must determine the appropriate multiplication factor as follows:

(A) As soon as possible, but no later than three months after the specialist organization begins using the VaR model to calculate their market risk add-on, the specialist organization must conduct backtesting of the model by comparing its actual daily net trading profit or loss with the corresponding VaR measure generated by the VaR model, using a 99 percent, one-tailed confidence level with price changes equivalent to a one business day movement in rates and prices, for each of the past 250 business days, or other period as may be appropriate for the first year of its use;

(B) On the last business day of each quarter, the specialist organization must identify the number of backtesting exceptions of the VaR model, that is, the number of business days in the past 250 business days, or other period as may be appropriate for the first year of its use, for which the actual net trading loss, if any, exceeds the corresponding VaR measure; and

(C) The specialist organization must use the multiplication factor indicated in Table 1 below in determining its market risk add-on until it obtains the next quarter's backtesting results;

Table 1. Multiplication factor based on the number of backtesting exceptions of the VaR model

Number of exceptions	Multiplication factor
4 or fewer	3.00

5	3.40
6	3.50
7	3.65
8	3.75
9	3.85
10 or more	4.00

(iv) For purposes of incorporating specific risk into a VaR model, a specialist organization must demonstrate that it has methodologies in place to capture liquidity, event, and default risk adequately for each position. Furthermore, the models used to calculate deductions for specific risk must:

- (A)** Explain the historical price variation in the portfolio;
- (B)** Capture concentration (magnitude and changes in composition);
- (C)** Be robust to an adverse environment; and
- (D)** Be validated through backtesting.

(b) Quantitative Requirements.

(i) For purposes of determining market risk add-on, the VaR model must use a 99 percent, one-tailed confidence level with price changes equivalent to a ten-business day movement in rates and prices;

(ii) The VaR model must use an effective historical observation period of at least one year. The specialist organization must consider the effects of market stress in its construction of the model. Historical data sets must be updated at least monthly and reassessed whenever market prices or volatilities change significantly; and

(iii) The VaR model must take into account and incorporate all significant, identifiable market risk factors applicable to positions in the accounts of the specialist organization, including:

(A) Risks arising from the non-linear price characteristics of derivatives and the sensitivity of the market value of those positions to changes in the volatility of the derivatives' underlying rates and prices;

(B) Empirical correlations with and across risk factors or, alternatively, risk factors sufficient to cover all the market risk inherent in the positions in the dealer accounts of the specialist organization; and

(C) Specific risk for individual positions.

.23 Maintaining a Fair and Orderly Market.—

Solely for the purpose of maintaining a fair and orderly market, the Exchange may, for a period not to exceed 5 business days, allow a specialist entity to continue to operate despite such specialist entity's non-compliance with the provisions of Rules 104.20 or 104.21.]

.24 Relief [specialists] DMMs.—

(1) The requirements with respect to a member registered as a full time relief [specialist] DMM, i.e., one who may be called upon to act as a relief [specialist]DMM for an entire business day, shall be, net liquid assets of \$150,000.

(2) There is no requirement with respect to a member registered as a part-time relief [specialist] DMM, i.e., one who may be called upon to act as a relief [specialist] DMM for less than the entire business day, usually for lunch periods, etc. Dealings effected by a part-time relief [specialist] DMM while relieving the regular [specialist] DMM must be made for the account of the regular [specialist] DMM whom he or she is relieving.

This version of Rule 104 is operative beginning on October 15, 2008

Rule 104. Dealings and Responsibilities of DMMs

The provisions of this rule shall be in effect during a Pilot set to end on September 1, 2009.

(a) DMMs registered 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 of a fair and orderly market insofar as reasonably practicable. The responsibilities and duties of a DMM specifically include, but are not limited to, the following:

(1) Assist the Exchange by providing liquidity as needed to provide a reasonable quotation.

(A) With respect to maintaining a continuous two-sided quote with reasonable size, DMM units must maintain a bid or an offer at the National Best Bid and National Best Offer (“inside”) at least 10% of the trading day for securities in which the DMM unit is registered with an average daily volume on the Exchange of less than one million shares, and at least 5% for securities in which the DMM unit is registered with an average daily trading volume equal to or greater than one million shares. Time at the inside is

calculated as the average of the percentage of time the DMM unit has a bid or offer at the inside. In calculating whether a DMM is meeting the 10% and 5% measure, credit will be given for executions for the liquidity provided by the DMM. Reserve or other hidden orders entered by the DMM will not be included in the inside quote calculations.

(2) Facilitate openings and reopenings for each of the securities in which the DMM is registered as required under Exchange rules. This may include supplying liquidity as needed. (See Rule 123D for additional responsibilities of DMMs with respect to openings and Rule 13 with respect to Reserve Order interest procedures at the opening.)

(3) Facilitate the close of trading for each of the securities in which the DMM is registered as required by Exchange rules. This may include supplying liquidity as needed. (See Rule 123C for additional responsibilities of DMMs with respect to closes and Rule 13 with respect to Reserve Order interest procedures at the close.)

(4) Facilitate trading when a “liquidity replenishment point” (as defined in Exchange Rule 1000) is reached.

(5) Facilitate trading when a “gap” quote procedure is being used and when a manual block trade is being executed. For purposes of this section, a “block” shall be at least 10,000 shares or a quantity of stock having a market value of \$200,000 or more, whichever is less.

(b) DMM Unit Algorithms

(i) DMM units shall have the ability to employ algorithms for quoting and trading consistent with NYSE and SEC regulations.

(ii) Exchange systems shall enforce the proper sequencing of incoming orders and algorithmically-generated messages.

(iii) The DMM unit’s system employing algorithms will have access to information with respect to orders entered on the Exchange, Floor Broker agency interest files or reserve interest, to the extent such information is made publicly available. DMM unit algorithms will receive the same information with respect to orders entered on the Exchange, Floor Broker agency interest files or reserve interest as is disseminated to the public by the Exchange and shall receive such information no sooner than it is available to other market participants.

(iv) The DMM unit’s algorithm may place within Exchange systems trading interest to be known as a “Capital Commitment Schedule”. (See Rule 1000 concerning the operation of the Capital Commitment Schedule.)

(v) All DMM unit trades via an algorithm must comply with all SEC and Exchange rules, policies and procedures governing DMM unit trading.

(c) A DMM unit may maintain non displayed reserve interest consistent with Exchange rules governing Reserve Orders. Such non displayed reserve interest is eligible for execution in manual transactions.

(d) A DMM unit may provide algorithmically-generated price improvement to all or part of an incoming order that can be executed at or within the Exchange BBO through the use of Capital Commitment Schedule interest (see Rule 1000). Any orders eligible for execution in the Display Book[®] system at the price of the DMM unit's interest will trade on parity with such interest, as will any displayed interest representing a d-Quote enabling such interest to trade at the same price as the DMM unit's interest.

(e) DMM units shall provide contra side liquidity as needed for the execution of odd-lot orders received by Exchange systems. (See Rule 124 regarding execution of odd-lot orders.)

(f) Functions of DMMs

(i) Any member who expects to act as a DMM in any listed stock must be registered as a DMM. See Rule 103 for registration requirements for DMMs.

(ii) The function of a member acting as a DMM on the Floor of the Exchange includes the maintenance, in so far as reasonably practicable, of a fair and orderly market on the Exchange in the stocks in which he or she is so acting. The maintenance of a fair and orderly market implies the maintenance of price continuity with reasonable depth, to the extent possible consistent with the ability of participants to use reserve orders, and the minimizing of the effects of temporary disparity between supply and demand. In connection with the maintenance of a fair and orderly market, it is commonly desirable that a member acting as DMM engage to a reasonable degree under existing circumstances in dealings for the DMM's own account when lack of price continuity, lack of depth, or disparity between supply and demand exists or is reasonably to be anticipated.

(iii) The Exchange will supply DMMs with suggested Depth Guidelines for each security in which a DMM is registered. The administration of the Depth Guidelines will be contained in notices periodically issued to all DMMs. In connection with a DMM's responsibility to maintain a fair and orderly market, DMMs will be expected to quote and trade with reference to the Depth Guidelines where necessary.

(iv) DMMs are designated as market maker on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(g) Transactions by DMMs

(i) Transactions on the Exchange by a DMM for the DMM's account are to be effected in a reasonable and orderly manner in relation to the condition of the general market and the market in the particular stock.

(A) The following types of transactions are permitted to render the DMM's position adequate to such markets' needs:

(I) Neutral Transactions

(1) Definition - A neutral transaction is a purchase or sale by which a DMM liquidates or decreases a position.

(2) Neutral Transactions may be made without restriction as to price.

(3) Re-entry Obligation Following Neutral Transactions - The DMM's obligation to maintain a fair and orderly market may require re-entry on the opposite side of the market trend after effecting one or more Neutral Transactions. Such re-entry transactions should be in accordance with the immediate and anticipated needs of the market.

(II) Non-Conditional Transactions

(1) Definition - A non-conditional transaction is a DMM's bid or purchase and offer or sale, that establishes or increases a position, other than a transaction that reaches across the market to trade with the Exchange BBO.

(2) Non-Conditional Transactions may be made without restriction as to price in order to:

(i) match another market's better bid or offer price;

(ii) bring the price of a security into parity with an underlying or related security or asset;

(iii) add size to an independently established bid or offer on the Exchange;

(iv) purchase at the published bid price on the Exchange;

(v) sell at the published offer price on the Exchange;

(vi) purchase or sell at a price between the Exchange BBO;

(vii) purchase below the published bid or sell above the published offer on the Exchange;

(3) Re-entry Obligation Following Non-Conditional Transactions - The DMM's obligation to maintain a fair and orderly market may require re-entry on the opposite side of the market trend after effecting one or more Non- Conditional Transactions. Such re-entry transactions should be commensurate with the size of the Non-Conditional Transactions and the immediate and anticipated needs of the market.

(III) Prohibited Transactions

(1) During the last ten minutes prior to the close of trading, a DMM with a long position in a security is prohibited from making a purchase in such security that results in a new high price on the Exchange for the day at the time of the DMM's transaction, except as provided in subparagraphs (g)(i)(A)(II)(2)(i) through (g)(i)(A)(II)(2)(ii) above.

(2) During the last ten minutes of trading, a DMM with a short position in a security is prohibited from making a sale in such security, that results in a new low price on the Exchange for the day at the time of the DMM's transaction, except as provided in subparagraphs (g)(i)(A)(II)(2)(i) through (g)(i)(A)(II)(2)(ii) above.

(h) DMM Transactions in Securities that Establish or Increase the DMM's Position:

(i) Definition - A "Conditional Transaction" is a DMM's transaction in a security that establishes or increases a position and reaches across the market to trade as the contra-side to the Exchange published bid or offer.

(ii) The following Conditional Transactions, may be made by a DMM without restriction as to price, provided they are followed by appropriate re-entry on the opposite side of the market commensurate with the size of the DMM's transaction. ("Appropriate" re-entry shall mean re-entry on the opposite side of the market at or before the price participation point or the "PPP".):

(A) A DMM's purchase from the Exchange published offer that is priced above the last differently-priced trade on the Exchange and above the last differently-priced published offer on the Exchange; and

(B) A DMM's sale to the Exchange published bid that is priced below the last differently-priced trade on the Exchange and below the last differently-priced published bid on the Exchange.

(iii) Re-entry Obligations for Conditional Transactions:

(A) "PPPs"—The Exchange will periodically issue guidelines, called price participation points ("PPP"), that identify the price at or before which a DMM is expected to re-enter the market after effecting a Conditional Transaction. PPPs are only minimum guidelines and compliance with them does not guarantee that a DMM is meeting its obligations.

(B) Notwithstanding that a security may not have reached the PPP, the DMM may be required to re-enter the market immediately after a Conditional Transaction based on the price and/or volume of the DMM's trading in reference to the market in the security at the time of such trading. In such situations DMMs may or may not rely on the fact and circumstance that there may have been one or more independent trades following the DMM's trading to justify a failure to re-enter the market.

(C) Immediate re-entry is required after the following Conditional Transactions:

(I) A purchase that (1) reaches across the market to trade with an Exchange published offer that is above the last differently priced trade on the Exchange and above the last differently priced published offer on the Exchange, (2) is 10,000 shares or more or has a market value of \$200,000 or more, and (3) exceeds 50% of the published offer size.

(II) A sale that (1) reaches across the market to trade with an Exchange published bid that is below the last differently priced trade on the Exchange and below the last differently priced published bid on the Exchange, (2) is 10,000 shares or more or has a market value of \$200,000 or more, and (3) exceeds 50% of the published bid size.

(III) A Sweep is viewed as a transaction with the published bid or offer for the purpose of subparagraphs (h)(iii)(C)(I) and (h)(iii)(C)(II) above.

(iv) The following Conditional Transactions may be made without restriction as to price:

(A) A DMM's purchase from the Exchange published offer that is priced above the last differently-priced trade on the Exchange or above the last differently-priced published offer on the Exchange; and

(B) A DMM's sale to the Exchange published bid that is priced below the last differently-priced trade on the Exchange or below the last differently-priced published bid on the Exchange.

(i) Re-entry obligations following transactions defined in subparagraphs (h)(iv)(A) and (h)(iv)(B) above are the same as for Non-Conditional Transactions pursuant to subparagraph (g) (i)(A)(3) above.

(j) Temporary DMMs. In the event of an emergency, such as the absence of the DMM, or when the volume of business in the particular stock or stocks is so great that it cannot be handled by the DMMs without assistance, a Floor Governor may authorize a member of the Exchange who is not registered as a DMM in such stock or stocks, to act as temporary DMM for that day only.

A member who acts as a temporary DMM by such authority is required to file with NYSE Regulation's Division of Market Surveillance, at the end of the day, a report showing (a) the name of the stock or stocks in which he so acted, (b) the name of the regular DMM, (c) the time of day when he so acted, and (d) the name of the Floor Governor who authorized the arrangement. The necessary forms may be obtained at the Information Desk.

The Floor Governor will not give such authority for the purpose of permitting a member not registered as DMM habitually to relieve another DMM at lunch periods, etc.

If a temporary DMM substitutes for a DMM, and if no DMM is present, the temporary DMM is expected to assume the obligations and responsibilities of DMMs for the maintenance of the market.

Rule 104A. [Specialists] DMMs—General**• • • *Supplementary Material:* -----**

[.20 Specialists exchanging names.—When purchasing stock for their own accounts from orders on the books, specialists must not "exchange names" and purchase such stock from the book of the other specialist. The same principle applies when specialists are selling stock to orders on the books.

.30 Specialists "stopping" stock on book.—A specialist must not "stop" stock for his own account on his own book or on the book of another member acting as specialist in the same stock.]

.50 Equity Trading Reports.—Every [specialist] DMM unit (including relief [specialists] DMMs) must keep a record of purchases and sales initiated on the Floor (including purchases and sales resulting from commitments or obligations to trade issued from the Exchange through ITS or any other Application of the System), in stocks in which he or she is registered, for an account in which he or she has an interest. [Specialists] DMM units must also maintain records of purchases and sales in the Exchange's off-hours trading sessions. Such record must show the sequence in which each transaction actually took place, the time thereof, and whether such transaction was at the same price or in what respect it was at a different price in relation to the immediately preceding transaction in the same stock. The price designations for transactions made in another market center through ITS or any other application of the System are to be determined from the immediately preceding transaction price on the Exchange at the time the commitment or obligation to trade is issued. [Specialists] DMM units and relief [specialists] DMMs are required to report such transactions in such automated format and with such frequency as may be prescribed by the Exchange.

Paragraph 104.12 [¶2104.12] sets forth circumstances under which [specialists] DMMs who maintain investment accounts in [specialty stocks] registered securities are required to submit an equity trading data report.

Options and single stock futures trading data reports.—Every [specialist] DMM unit (including relief [specialists] DMMs) must keep a record of all options and single stock futures purchases and sales to hedge [his] its [specialty stock] registered security positions as permitted by Rule 105 and must report such transactions in such automated format and with such frequency as may be prescribed by the Exchange.

Foreign securities reports—Every [specialist] DMM unit (including relief [specialists] DMMs) must keep a record of all purchases and sales of foreign securities (as defined in Rule 36.30) for an account in which he or she has as interest. [Specialists] DMM units and relief [specialists] DMMs are required to report such transactions in such automated format and with such frequency as may be prescribed by the Exchange.

[Inquiries.]—Inquiries in connection with these reports should be addressed as the Exchange shall direct.]

[[No specialist may charge...]]

Rule 104B. DMM Commissions

No [specialist] DMM or DMM unit may charge a commission for the execution of a trade in any of his or her [specialty] registered securities, including Investment Company Units pursuant to Exchange Rule 1100, Trust Issued Receipts pursuant to Exchange Rule 1200, and streetTRACKS® Gold Shares pursuant to Exchange Rule 1300, Currency Trust Shares pursuant to Exchange Rule 1300A, Commodity Trust Shares pursuant to Exchange Rule 1300B or any security governed by Exchange Rule series 1100, 1200, 1300, 1300A or 1300B.

Rule 105. [Specialists'] DMMs' Interest in Pools, Options, and Single Stock Futures

(a) No member acting as a [specialist] DMM or [his] the member organization with which such member is associated or any other member, allied member or approved person in such organization or officer or employee thereof shall be directly or indirectly interested in a pool dealing or trading in a stock in which such member is registered as a [specialist] DMM.

(b) No member acting as a [specialist] DMM or [his] the member organization with which such member is associated or any other member, allied member or approved person (other than an approved person entitled to an exemption from this Rule pursuant to Rule 98) or officer or employee thereof, shall directly or indirectly, hold, acquire, grant or have an interest in any option to purchase or sell or to receive or deliver shares of a stock in which such member is registered as a [specialist] DMM, or in any security future of a stock in which such member is registered as [specialist] DMM, except as provided in this Rule. The term "listed option" as used herein shall mean an option issued by the Options Clearing Corporation and traded on a national securities exchange. The term "security future" shall have the meaning given that term in section 3(a)(55) of the Securities Exchange Act of 1934. A security future of a single stock is hereinafter referred to as a "single stock future".

(c) The term "[specialist's] DMM's account" shall mean the account (whether the individual account of the member organization or joint account as permitted by Exchange Rule 94) in which the ordinary trading business of the member as a [specialist] DMM is conducted. With respect to any stock position in any [specialist's] DMM's account, any [specialist] DMM or member organization having an interest in such account may hold, acquire, grant or have an interest in listed stock options, or in single stock futures, to purchase or sell or to receive or deliver shares of such stock only where appropriate to

permit such [specialist] DMM to offset the risk of making a market in the underlying [specialty] stock. No [specialist] DMM or member organization having an interest in the [specialist's] DMM's account shall initiate or effect any opening transaction in a listed stock option, or in a single stock future, to offset more than a reasonable estimate of potential loss that might be incurred in relation to the [specialist's] DMM's market-making function.

Any such options or futures transactions shall be made in accordance with the "Guidelines for [Specialists'] DMM's [Specialty Stock] Registered Security Option and Single Stock Futures Transactions Pursuant to Rule 105" as promulgated by the Exchange and as may be amended from time to time. Any opening transaction that does not conform to the requirements specified in such "Guidelines," and any failure to take required action to liquidate any option or futures position within the time periods specified in such "Guidelines" shall be deemed to be a violation of this Rule 105. Notwithstanding the fact that a [specialist's] DMM's options or futures transactions may be in conformity with the "Guidelines" such [specialist] DMM shall nonetheless be deemed to be in violation of Rule 105 if he or she has engaged in such options or futures transactions for manipulative or other purposes not related to offsetting the risk of making a market in the underlying [specialty stock] registered security.

(d) A member, allied member or approved person (other than an approved person entitled to an exemption from this Rule pursuant to Rule 98), in the member organization of a [specialist] DMM and any officer or employee of such organization who has a position in any [specialty stock] registered security of such [specialist] DMM in any account (other than the [specialist's] DMM's account) may grant or have an interest in listed options or single stock futures to purchase or sell or to receive or deliver shares of such [specialty stock] registered security but only to the extent and in the manner that the "Guidelines", as promulgated by the Exchange and as may be amended from time to time, would permit the [specialist] DMM to use listed options or single stock futures as to transactions for the [specialist's] DMM's account.

GUIDELINES FOR [SPECIALISTS'] DMM's [SPECIALTY STOCK] REGISTERED SECURITY OPTION AND SINGLE STOCK FUTURES TRANSACTIONS PURSUANT TO RULE 105

(a) Rule 105 provides that a [specialist] DMM may use listed options and single stock futures overlying covered securities in which he or she is registered only where appropriate to offset the risk of making a market in the underlying [specialty stock] registered security.

A [specialist] DMM may not initiate or effect an opening option or single stock futures transaction to offset more than a reasonable estimate of potential loss that might be incurred in relation to the [specialist's] DMM's market-making function.

An option position established pursuant to Rule 105 may be established by means of any legitimate hedging strategy, provided that the net option position is on the opposite side of the market from the [specialist's] DMM's stock position.

Any options or single stock futures transactions effected pursuant to Rule 105 must be made in conformity with these "Guidelines".

Except as provided in paragraph (g) below, a [specialist] DMM shall be deemed to be in violation of Rule 105 if he or she establishes any option or single stock futures position in a [specialty stock] registered security which exceeds that permitted by paragraphs (b), (c) and (d) below. Except as provided in paragraph (g) below, a [specialist] DMM shall also be deemed to be in violation of Rule 105 if, having established an option or single stock futures position that does not exceed that permitted by paragraphs (b), (c), and (d) below, he or she subsequently fails to take, within the time periods specified in paragraphs (e) and (f) below, such action as required to liquidate any option or single stock futures position where the net option or single stock futures position (i) exceeds the permitted number of contracts because of a change of more than 25 percent in the size of the underlying [specialty stock] registered security position from that which existed when the option position was established; or (ii) has become on the same side of the market as the underlying [specialty stock] registered security position. Notwithstanding the fact that a [specialist's] DMM's options or single stock futures transactions may be in conformity with the "Guidelines", such [specialist] DMM shall nonetheless be deemed to be in violation of Rule 105 if he or she has engaged in such options or single stock futures transactions for manipulative or other purposes not related to offsetting the risk of making a market in the underlying [specialty stock] registered security.

(b) Conditions for Opening Options Transactions to Hedge an Existing [Specialty Stock] Registered Security Position with a Net Option Position on the Opposite Side of the Market.

Except as provided in paragraph (g) below, opening options transactions under Rule 105 must meet the following three conditions:

- (1)** The transaction must result in a net option position on the opposite side of the market from the underlying [specialty stock] registered security position.
- (2)** The transaction must be effected solely to offset the risk of making a market in the underlying [specialty stock] registered security.
- (3)** The resulting net option position must not exceed the number of shares of the [specialty stock] registered security position that the [specialist] DMM is offsetting, based on using dynamic deltas or fixed hedge ratios as discussed below, or another hedging convention approved by the Exchange.

Any opening options transaction that does not meet all three conditions shall be deemed to be in violation of Rule 105, except as specified in paragraph (4) and in paragraph (g) below.

(4) When a [specialist] DMM holds a position in a near term (as defined in paragraph (c) below) option series which he or she wishes to replace with a more distant expiration series prior to the liquidation or expiration of such near term options series, the

[specialist] DMM may do so to offset a reasonable estimate of potential loss that might be incurred in the [specialist's] DMM's existing position in the underlying [specialty stock] registered security subject to the provisions of paragraph (c) of Rule 105 above. In order to establish a hedged position with the more distant term options series while concurrently holding a position in the near term series which would result in an "over-hedged" position, the [specialist] DMM shall enter an order, which has a reasonable expectation of being executed, no later than the close of trading on the exchange or exchanges where the option is traded on the day after the new position was established, to liquidate his or her position in the near term options series.

(c) Calculation of Options Positions to Offset Existing Stock Positions

The [specialist] DMM shall have the choice of offsetting his or her [specialty stock] registered security position using either dynamic deltas, fixed hedge ratios or any other hedging convention approved by the Exchange to determine the number of option contracts permitted to offset an existing stock position.

(i) Use of dynamic deltas—In determining whether a [specialist's] DMM's option position complies with the third condition of paragraph (b) above, based on dynamic deltas, the Exchange will use its pricing model to calculate the appropriate delta for each option series.

Example 1

Assume the [specialist] DMM is long 10,000 shares of a stock that is quoted at 50.25. [He] The DMM wishes to offset that position by writing call option contracts. The Exchange's pricing model derives a delta for the option series of .5 based upon the \$50 bid price. The maximum permissible option position the [specialist] DMM may establish to offset his or her [specialty stock] registered security position would be calculated as follows:

$$\frac{10,000}{100} \div .5 = 200$$

In this example, the [specialist] DMM would be permitted to write no more than 200 call contracts having a delta of .5 to offset his or her stock position.

Example 2

Assume the [specialist] DMM is long 5,000 shares and has hedged his or her position by buying 100 put option contracts with a delta of .5. Subsequently, the [specialist] DMM buys 1,000 shares for his own account. The [specialist] DMM could offset the additional 1,000 shares by acquiring an additional option position of 20 put contracts, calculated as follows:

$$\frac{1,000}{100} \div .5 = 20$$

Thus, the [specialist] DMM in this example would be permitted to have an option position of 120 put contracts to offset the 6,000 share stock position.

Example 3

Assume that a [specialist] DMM has a 2,000 share long position in a [specialty stock] registered security and wishes to use options to offset the risk of loss in that position. Options at the following strike prices have been opened for trading: 40, 45, 50, 55 and 60. The deltas for those options are at 1.0, .8, .5, .2 and .05, respectively.

Since the [specialist] DMM is long the stock, [he] the DMM may offset his or her position either by writing calls or by buying puts.

In writing calls, the [specialist] DMM could effect options transactions as follows:

- 20 call options with a strike price of 40 or
- 25 call options with a strike price of 45 or
- 40 call options with a strike price of 50 or
- 100 call options with a strike price of 55 or
- 400 call options with a strike price of 60.

The [specialist] DMM could also combine different series of call options, such as:

- 10 call options with a strike price of 45 to hedge 800 shares and
- 16 call options with a strike price of 50 to hedge 800 shares and
- 20 call options with a strike price of 55 to hedge 400 shares.

The same principles would apply to opening transactions involving put options.

(ii) Use of fixed hedge ratios—In determining whether a [specialist's] DMM's option position complies with the third condition of paragraph (b) above based on fixed hedge ratios, the Exchange will use the applicable "hedge ratios" as follows:

(1) One option contract for each 100-share stock position existing at the time of the acquisition of the option contract, where such option contract is "in-the-money" as defined below.

(2) One and one-half option contracts for each 100-share stock position existing at the time of the acquisition of the option contracts, where such option contracts are "at-the-money" as defined below.

(3) Two option contracts for each 100-share position existing at the time of the acquisition of the option contracts, where such option contracts are no more than one strike price interval "out-of-the-money" as defined below.

The number of option contracts that may be used under the "hedge ratio" approach to offset a position in the underlying [specialty stock] registered security depends upon the size of the stock position at the time of the acquisition of the option(s) and the strike price of the option(s) in relation to the market price of the stock. Not more than one "in-the-money" option, or one and one-half "at-the-money" options, or two "out-of-the-money" options to hedge each 100-share [specialty stock] registered security position may be used. Options at the same strike price, or combinations of options at different strike prices may be used, provided the net overall options position thereby established conforms to conditions (1), (2) and (3) of paragraph (b) above and the hedge ratios. The hedge ratios may be expressed as follows:

- In-the-money option: 1 to 1
- At-the-money option: 1.5 to 1
- Out-of-the-money option: 2 to 1

Definitions. For purposes of these Guidelines to administer Rule 105, an "at-the-money" option, whether a put or a call, shall be an option where the price of the underlying [specialty stock] registered security is (i) equal to the strike price of the option, or (ii) greater or less than the strike price of the option by an amount which does not exceed one-half of the strike price interval for that particular option. For example, assume that options with a strike price interval of five points have been opened for trading at strike prices of 45, 50, 55 and 60, and the market price of the underlying stock is 52. The option with a strike price of 50 would be considered "at-the-money" since that strike price is less than one-half the five point price interval below the market price of the stock. In this example where the strike price interval is five points, the option having the strike price of 50 would be "at-the-money" when the market price of the underlying stock is traded at or between 47.50 and 52.50. If the market price of the underlying stock is *exactly* at the midpoint of the strike price interval, then options having two different strike prices would be considered to be "at-the-money". Thus, in the above example, if the market price of the underlying stock was 52.50, then both the 50 and 55 strike price options, both puts and calls, would be "at-the-money".

An "in-the-money" call option shall be any call option whose strike price is less than the lowest strike price of an "at-the-money" call option. An "in-the-money" put option shall be any put option whose strike price is greater than the highest strike price of an "at-the-money" put option. For example, assume that options have been opened for trading at strike prices of 40, 45, 50, 55 and 60 and the market price of the underlying stock is 52. Options with a strike price of 50 would be "at-the-money". Thus, call options with strike prices of 40 and 45, and put options with strike prices of 55 and 60, would be "in-the-money".

An "out-of-the-money" call option shall be any call option whose strike price is greater than the highest strike price of an "at-the-money" call option. An "out-of-the-money" put option shall be any put option whose strike price is less than the lowest strike price of an "at-the-money" put option. For example, assume as above that options have been opened for trading at strike prices of 40, 45, 50, 55 and 60, and the market price of the underlying stock is 52.50. Options with a strike price of 50 and 55 would both be "at-the-money". Thus, call options with a strike price of 60, and put options with strike prices of 40 and 45 would be "out-of-the-money".

A near term option shall be an option that expires on the next possible expiration date for that particular option series.

Example 4

Assume that a [specialist] DMM has a 2,000-share long position in a [specialty stock] registered security and wishes to use a fixed hedge ratio approach to options to offset the risk of loss in that position. The market price of the stock is 52, and options at the following strike prices have been opened for trading: 40, 45, 50, 55 and 60.

Since the [specialist] DMM is long the stock, he may offset his or her position by writing calls or by buying puts. (If the [specialist] DMM had a short position in the [specialty stock] registered security, [he] the DMM could offset his or her position by buying calls or writing puts.)

In writing calls using the hedge ratio approach, the [specialist] DMM could effect options transactions as follows:

- 20 call options with a strike price of 45 or 40 or
- 30 call options with a strike price of 50 or
- 40 call options with a strike price of 55.

The [specialist] DMM could also combine different series of call options, such as:

- 10 call options with a strike price of 45 to hedge 1,000 shares and
- 9 call options with a strike price of 50 to hedge 600 shares and

- 8 call options with a strike price of 55 to hedge 400 shares.

The same principles would apply to opening transactions involving put options.

(iii) Other hedging strategies—If the [specialist] DMM seeks to offset risk of loss by using a strategy other than one based on dynamic deltas or fixed hedge ratios, he shall submit such strategy to the Exchange and obtain its approval before effecting any options transactions. Such strategy must constitute a legitimate hedge and must comply with the provisions of paragraph (b) above.

(d) Conditions for Single Stock Futures Transaction to Hedge an Existing [Specialty Stock] Registered Security Position with a Net Futures Position on the Opposite Side of the Market

Single stock futures transactions under Rule 105 must meet the following three conditions:

- (1) The transaction must result in a net futures position on the opposite side of the market from the underlying [specialty stock] registered security position.
- (2) The transaction must be effected solely to offset the risk of making a market in the underlying [specialty stock] registered security.
- (3) The resulting net futures position must not exceed the number of shares of the [specialty stock] registered security position that the [specialist] DMM is offsetting.

Any single stock futures transaction that does not meet all three conditions shall be deemed to be in violation of Rule 105.

[Specialists] DMMs may purchase or sell single stock futures to hedge an existing [specialty stock] registered security position only where the number of shares to be delivered pursuant to such contracts does not exceed the number of shares in the [specialist's] DMM's existing [specialty stock] registered security position. One futures contract may be used for each 100 shares to be offset.

Example 5

Assume the [specialist] DMM has a 10,000 share long position in a [specialty stock] registered security and wishes to hedge that position with single stock futures. The [specialist] DMM could do so by acquiring a short single stock futures position not to exceed 100 contracts.

(e) Liquidating An "Excess" Option or Single Stock Futures Position on the Opposite Side of the Market from the Underlying [Specialty Stock] Registered Security Position

Where a [specialist's] DMM's closing position on any trading day in an underlying [specialty stock] registered security has changed by more than 25 percent from that which existed when an offsetting option or single stock futures position was established, with

the result that the [specialist's] DMM's net option or single stock futures position, while still on the opposite side of the market from the [specialty stock] registered security position, then exceeds, in the case of options, that permitted by the use of deltas or hedge ratios or other approved hedging convention, or in the case of futures, the total number of contracts, the [specialist] DMM shall take, or cause to be taken, action to liquidate one or more options or futures positions until his or her net option or futures position no longer exceeds the number permitted by the hedging convention used.

The [specialist] DMM shall be required to enter such liquidation order, or orders, which have a reasonable expectation of being executed, by the close of trading on the exchange or exchanges where the option or futures contract is traded on the next trading day.

Notwithstanding the above, where a [specialist's] DMM's closing stock position has changed by more than 25 percent from that which existed when an offsetting option or futures position was established, with the result that his or her net option or futures position exceeds that permitted by paragraph (c) above by the equivalent of up to 5,000 shares (e.g., 50 in-the-money option contracts or 50 option contracts with a delta of 1.0), or 50 futures contracts the [specialist] DMM shall not be required to liquidate any such "excess" options or futures contracts. The [specialist] DMM shall not be required to liquidate any option or futures position which exceeds that permitted by paragraph (c) above where the [specialist's] DMM's closing stock position on any trading day has not changed by more than 25 percent from that which existed when such option or futures position was established.

The point in time to be observed in taking any liquidation action required by this paragraph (e) is the time of order entry, not necessarily the time when the order is actually executed. In liquidating an "excess" option or futures position, the [specialist] DMM shall not be required to send to the Floor of an options or futures exchange an order or orders immediately executable "at the market", but may, if he or she so chooses, send to the Floor of an options or futures exchange an order or orders that may be "worked" by an independent broker according to his or her "broker's judgement" to obtain "best execution". The [specialist] DMM shall not, however, give specific instructions to such independent broker as to how the order or orders are to be "worked". If, while the order or orders are being "worked", the [specialist's] DMM's stock position changes such that it has not changed by more than 25 percent from that which existed when the offsetting option or futures position was established, the liquidation orders or the unexecuted portion of such orders may be cancelled.

When, as a result of a more than 25 percent change in the size of the [specialist's] DMM's stock position from that which existed when an offsetting option or futures position was established, the [specialist] DMM has had to liquidate an "excess" option or futures position, the [specialist] DMM shall be deemed thereby to have established a new offsetting stock/option or futures position pursuant to Rule 105 and these "Guidelines". Should the stock position continue to change in the same direction, any subsequent required liquidation action shall be taken if the closing stock position changes by more than 25 percent from that which existed when the new offsetting position was established.

Example 6

Assume that a [specialist] DMM has a 100,000 share long [specialty stock] registered security position which he offsets using a hedge ratio approach by writing 1,000 in-the-money calls. Subsequently, the [specialist's] DMM's closing stock position declines to 80,000 shares long, but the [specialist] DMM maintains the 1,000 contract in-the-money option position. The [specialist's] DMM's option position would now exceed that permitted by the hedge ratios by 200 contracts.

However, no liquidation action would be required because the [specialist's] DMM's stock position did not change by more than 25 percent from that which existed when the offsetting option position was established.

Example 7

Assume that a [specialist] DMM had a 10,000 share long [specialty stock] registered security position which he or she offset using a hedge ratio approach by writing 100 in-the-money calls. Subsequently, the [specialist's] DMM's closing stock position declined to 4,000 shares long, but the [specialist] DMM maintained the 100 contract in-the-money option position. In this situation, the [specialist's] DMM's stock position has now changed by more than 25 percent from that which existed when the offsetting option position was established. The [specialist's] DMM's option position now exceeds that permitted by the hedge ratios by 60 contracts.

The [specialist] DMM would be required to enter an order to liquidate 60 option contracts no later than the close of trading on the exchange where the option is traded on the next trading day.

If, in this example, the [specialist's] DMM's closing stock position continued to decline, the next liquidation action would be taken with reference to a change of 25 percent or more in the 4,000 share stock position.

Example 8

Assume that a [specialist] DMM had a 10,000 share long [specialty stock] registered security position which he or she offset using dynamic deltas by writing 100 calls with a delta of 1.0. Subsequently, the [specialist's] DMM's closing stock position declined to 7,000 shares long, but the [specialist] DMM maintained the 100 contract option position. In this situation, the [specialist's] DMM's closing stock position has now changed by more than 25 percent from that which existed when the offsetting option position was established. However, no liquidation action would be required because the equivalent share position represented by the number of option contracts in excess of that permitted by the use of deltas is only 3,000 shares, which is less than the 5,000 share minimum.

Example 9

Assume that a [specialist] DMM had a 10,000 share long [specialty stock] registered security position which he or she offset by 100 short single stock futures contracts. Subsequently, the [specialist's] DMM's closing stock position declined to 7,000 shares long, but the [specialist] DMM maintained the 100 contract short futures position. In this situation, the [specialist] DMM 's closing stock position has now changed by more than 25 percent from that which existed when the offsetting futures position was established. However, no liquidation action would be required because the equivalent share position represented by the number of futures contracts is only 3,000 shares, which is less than the 5,000 share minimum.

(f) Liquidating an Option or Futures Position on the Same Side of the Market as the Underlying [Specialty Stock] Registered Security Position

Where a [specialist's] DMM's position in an underlying [specialty stock] registered security changes such that it becomes "flat" (i.e., no position) or it becomes on the same side of the market as a net offsetting option or futures position previously established pursuant to Rule 105 and these "Guidelines", the [specialist] DMM shall take, or cause to be taken, action to liquidate one or more option or futures positions until his or her net option or futures position is no longer on the same side of the market as his stock position.

The [specialist] DMM shall be required to enter such liquidation order or orders which have a reasonable expectation of being executed by the close of trading on the exchange or exchanges where the option or futures contract is traded, on the same trading day that his or her stock position became "flat" or on the same side of the market as his or her net option or futures position.

Notwithstanding the above, the [specialist] DMM shall not be required to take liquidation action where his or her same side option or futures position is equivalent to a stock position of 5,000 shares or less.

The point in time to be observed in taking any liquidation action required by this paragraph (f) is the time of order entry, not necessarily the time when the order is actually executed. The [specialist] DMM may enter a "working" order along the same lines as discussed in paragraph (e) above.

If, while the order or orders are being "worked", the [specialist's] DMM's stock position changes such that it is no longer on the same side of the market as the [specialist's] DMM's net option or futures position, the liquidation orders or the unexecuted portion of such orders may be cancelled.

Example 10

Assume that a [specialist] DMM had a 10,000 share long position which [he] the DMM hedged by writing 200 calls with a delta of .5. Subsequently, his or her stock position became 1,000 shares short. [His] The DMM's stock and net option positions would now be on the same side of the market, and [he] the DMM would be required to enter an order which has a reasonable expectation of being executed to liquidate his or her 200 contract

option position not later than the close of trading on the exchange where the option is traded, on the same trading day that his or her stock position became on the same side of the market as his or her net option position. If, in this example, the [specialist] DMM had written 100 or less option contracts, which represent the equivalent of 5,000 shares of stock, [he] the DMM would not have been required to take any liquidation action.

Example 11

Assume that a [specialist] DMM had a 10,000 share long position which [he] the DMM hedged by 100 short single stock futures contracts. Subsequently, the [specialist's] DMM's stock position became 1,000 shares short. The [specialist's] DMM's stock and futures positions would now be on the same side of the market, and the [specialist] DMM would be required to enter an order that has a reasonable expectation of being executed to liquidate the 100 contract futures position not later than the close of trading on an exchange where the futures contract is traded, on the same trading day that the stock position became on the same side of the market as the futures position. If, in this example, the [specialist's] DMM's futures position had been 50 or fewer contracts, which represents the equivalent of 5,000 or fewer shares of stock, the [specialist] DMM would not have been required to take any liquidation action.

(g) Long Term Option or Futures Strategy to Offset Market-Making Risk

Notwithstanding any other provision of these "Guidelines" regarding the establishment and liquidation of option or futures positions, the [specialist] DMM may, with the approval of the Exchange, establish an option or futures position, and not be subject to liquidation requirements as to such option or futures position, to offset general market-making risk as to any [specialty stock] registered security. The [specialist] DMM shall submit a long term option or futures strategy to the Exchange for its approval prior to effecting any option or futures transactions. The Exchange shall not grant approval of any such long term option strategy unless option positions, when established, consist of out-of-the-money options which are not near term options. A [specialist] DMM may establish an option or futures position in accordance with this paragraph (g) irrespective of an existing position in the subject [specialty stock] registered security provided that the option or futures position is a reasonable offset of the [specialist's] DMM's dealer risk in the subject [specialty stock] registered security. The objective of such a strategy shall be the maintenance of a long term option or futures position which would offset market-making risk irrespective of day-to-day fluctuations in the [specialist's] DMM's position in the [specialty stock] registered security. The Exchange shall terminate approval for such a long term option or futures strategy, and may deem the [specialist] DMM to be in violation of Rule 105, in any case where the Exchange shall determine that the [specialist's] DMM's market-making decisions have been influenced by the existence of any long term option or futures position. A [specialist] DMM who determines to establish an option or futures position pursuant to this paragraph may not, while [he] the DMM continues to hold such position, establish any other position pursuant to any other paragraph of these "Guidelines", other than a "calendar rollover" as permitted under paragraph (b)(4) above, as to the same [specialty stock] registered security. Conversely, a [specialist] DMM who has established an option or futures position pursuant to any other paragraph of these "Guidelines" may not, while [he] the DMM continues to hold such

position, establish an option or futures position pursuant to this paragraph (f) as to the same [specialty stock] registered security. The same principles apply with respect to single stock futures.

(h) Prohibition Against Front-Running of Blocks

In Information Memo No. 80-38 (September 11, 1980), the Exchange advised all members and member organizations that they should not trade in options or in underlying securities by taking advantage of their possession of material, non-public information concerning block transactions in these securities. The Exchange noted that it would be improper for a member or person associated with a member who has knowledge of a block transaction in any security underlying an option or of a block transaction in the option covering that security, before information concerning the block transaction has been made publicly available, to take advantage of the non-public information in his or her possession and execute or cause to be executed an order (1) to buy or sell an option, while in possession of non-public information concerning a block transaction in the underlying stock, or (2) to buy or sell an underlying security, while in possession of non-public information concerning a block transaction in an option covering that security, for an account in which such member or associated person has an interest or for an account with respect to which such member or associated person exercises investment discretion. The prohibitions against front-running stated in Information Memo No. 80-38 shall take precedence over any requirements stated in Rule 105 and these "Guidelines". Thus, a [specialist] DMM may not establish an offsetting option position in a [specialty stock] registered security if he or she is in possession of material, non-public information concerning a block transaction in such stock.

(i) Recording of Option or Futures Positions

Any option or futures position relating to a [specialist's] DMM's account and established or increased pursuant to Rule 105 shall be recorded for bookkeeping purposes in a separate "memo" account. Each time a transaction in the overlying option, or single stock futures contract, is effected for the [specialist's] DMM's account, the [specialist's] DMM's [specialty stock] registered security position, shall also be recorded in the "memo" account.

(j) Reporting of Accounts

In a manner prescribed by the Exchange, each [specialist] DMM shall file with the Division of Market Surveillance and keep current a list identifying all accounts in which the [specialist] DMM, his or her member organization, or any other member, allied member or approved person of such member organization or any officer or employee thereof has a direct or indirect interest and in which are effected options or single stock futures transactions in which any of his [specialty stock] registered security is the underlying security. No such [specialist] DMM, member organization, member, allied member, approved person, officer or employee shall engage in options or single stock futures transactions in which any of such stocks of any such [specialist] DMM is the underlying security in any account which has not been reported to the Exchange.

(k) Reporting of Transactions

In the event that any [specialist] DMM, his or her member organization, or any other member, allied member or approved person in such member organization or officer or employee of such member organization engages in any option or single stock futures transaction in which any [specialty stock] registered security of the [specialist] DMM is the underlying security, such [specialist] DMM, person or party shall submit to the Division of Market Surveillance, in such automated format and with such frequency as the Exchange may prescribe, such information concerning such option or single stock futures transaction as the Exchange may require.

(l) Alteration of Stock Positions Due to Off-Hours Trading

See Paragraph (d)(v) of Rule 900 (Off-Hours Trading: Applicability and Definitions) in respect of [specialists'] DMMs' Off-Hours Trading orders that require the liquidation of an options or single stock futures position pursuant to Rule 105 and these Guidelines.

(m) [Specialist] DMM Shall Not Be Options or Single Stock Futures Market-Maker

(i) Except as provided below, no equity [specialist] DMM, his or her member organization, other member, allied member or approved person in such member organization or officer or employee thereof shall act as an options market-maker or option specialist, or function in any capacity involving market-making responsibilities, in any option as to which the underlying security is a stock in which the [specialist] DMM is registered as such, nor shall any such persons function in any market making capacity with respect to any single stock futures contract of a security in which such [specialist] DMM is registered as such.

(ii) Notwithstanding the above, an approved person of an equity [specialist] DMM entitled to an exemption from this rule under Rule 98 may act as a competitive market maker, competitive options trader, registered options trader, or as a specialist or market maker in any option as to which the underlying security is a stock in which the associated [specialist] DMM is registered as such, or in any single stock futures contract of a security in which the associated [specialist] DMM is registered as such; provided, however, that if an approved person is so acting as an options market maker pursuant to this paragraph, or in a market making capacity with respect to a single stock futures contract pursuant to this paragraph, neither that approved person, nor any other approved person of the [specialist] DMM, may act as a market maker in any equity security in which the associated [specialist] DMM is registered as such and which underlies an option as to which the approved person acts as an options market maker, or is subject to delivery pursuant to a single stock futures contract as to which the approved person acts in a market making capacity.

(iii) Notwithstanding the above, an approved person of an equity [specialist] DMM entitled to an exemption from this rule under Rule 98 may act in a market making capacity other than as a specialist in any Investment Company Unit (as defined in paragraph 703.16 of the Listed Company Manual) or a Trust Issued Receipt (as defined in Rule 1200) on another market center, and may act as a specialist or in any other market making capacity in any option as to which the underlying security is such an Investment Company Unit or Trust Issued Receipt in which the associated [specialist] DMM is registered as such on the Exchange.

(n) Use of Both Options and Single Stock Futures to Hedge [Specialty Stock] Registered Security Position

If a [specialist] DMM chooses to hedge a [specialty stock] registered security position with positions in both options and futures contracts, the resulting total market share position, when established, may not exceed the size of the existing [specialty stock] registered security position being hedged. Any excess or same side of the market equivalent share position must be liquidated in accordance with the principles of this rule.

Example 12

Assume that a [specialist] DMM had a 5,000 share long position which he or she hedged by 50 short single stock futures contracts. Subsequently, the [specialist's] DMM's stock position became 10,000 shares long. The [specialist] DMM now chooses to hedge the additional 5,000 share stock position with stock options. To do so, in this example, the [specialist's] DMM's stock option position must be 50 or fewer contracts, which represents the equivalent of 5,000 or fewer shares of stock. If the [specialist's] DMM's [specialty] registered security long [stock] position subsequently falls below 10,000 shares, or if it becomes a short [stock] position, the [specialist] DMM must liquidate a sufficient amount of the single stock futures or stock options to comply with the principles of this rule.

* * * * *

Rule 106A. Taking Book or Order of Another Member

When a member temporarily takes the book of a [specialist]DMM or an order from another member, he or she shall, while he or she is in possession of that book or order and for the remainder of the day, stand in the same relationship to the book or order as the [specialist] DMM or other member [himself].

* * * * *

Rule 108. Limitation on Members' Bids and Offers

(a) On parity

No bid or offer made by a member or made on an order for stock originated by a member while on the Floor to establish or increase a position in such stock for an account in which such member has an interest shall be entitled to parity with a bid or offer made on an order originated off the Floor, except that such a bid or offer shall be entitled to parity with a bid or offer made on an order originated off the Floor and being executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder. The foregoing shall not apply to [specialists] DMMs. [, with respect to automatic executions. Members who do not want specialists to trade on parity with their customers' orders may not include such orders in their Floor broker agency interest files.]

[(b) On precedence based on size

No bid or offer made by a member or made on an order for stock originated by a member while on the Floor to establish or increase a position in such stock for an account in which such member has an interest shall be entitled to precedence based on size over a bid or offer made on an order originated off the Floor, except that such a bid or offer shall be entitled to precedence based on size over a bid or offer made on an order originated off the Floor and being executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder.]

[(c)] (b) Exceptions

The provisions of paragraph[s] (a) [and (b)] shall not apply to bids or offers made:

(1) By an odd-lot dealer in a stock in which he or she is registered as an odd-lot dealer to offset a position acquired as an odd-lot dealer;

(2) to offset a transaction made in error;

(3) for bona fide arbitrage.

(See 90(c) [¶2090(c)] "Dealings by Members in the Exchange" and Rule 112.10 [¶2112.20- 2112.27] for "Interpretations and Instructions".)

• • • **Supplementary Material:** -----

.10 Combining own bids or offers with orders.—When members combine bids or offers for own account with orders in their possession for the purpose of initiating or increasing a position and purchase or sell stock they must, if the amount bought or sold is in excess of their orders, ask other members in the Crowd at the time who made bids or offers at the price of the transaction, [including the specialists,] if they have public orders. If such be the case, the member who bought or sold the stock must turn over to the other members on their public orders the amount in excess of his orders before retaining the remainder for his own account. This does not apply when the member is covering a short position or liquidating a long position for his own account.

Rule 110. Competitive Traders

* * * * *

(c) The provisions of Paragraph (a) of this Rule shall not apply to transactions made:

(1) by [specialists] DMMs or odd-lot dealers in the stocks in which they are registered;

(2) by registered competitive market-makers;

(3) to offset a transaction made in error; or

(4) for bona fide arbitrage.

* * * * *

(i) A member may not act as a competitive trader and a registered competitive market-maker in the same security in the same trading session. A [specialist] DMM may not act, at any time, as a competitive trader or as a registered competitive market-maker in the stocks in which he or she is registered.

(j) [Specialists] DMMs in rights in which they are registered may effect transactions in the security which is the subject of the rights; and when such transactions are made for the purpose of acquiring or liquidating a bona fide hedge position against the rights, the provisions of Paragraph (a) and (b) of this Rule shall not apply.

* * * * *

(o) To [specialists] DMMs. An on-Floor order given to a [specialist] DMM by a Competitive Trader is subject to all of the rules applicable to Competitive Traders.

* * * * *

Rule 113. [Specialists'] DMM Unit's Public Customers

(a) No [specialist] DMM, the member organization with which he or she is associated, or subsidiary of such organization within the meaning of Rule 321, or any approved person of the same member organization as such [specialist] DMM, shall accept an order for the purchase or sale of any stock in which he or she is registered as a [specialist] DMM directly (1) from the company issuing such stock; (2) from any officer, director or 10% stockholder of that company; (3) from any pension or profit-sharing fund; (4) from any institution, such as a bank, trust company, insurance company, or investment company.

(b) No order given to a [specialist] DMM for the purchase or sale of a security in which he or she is registered as a [specialist] DMM shall indicate in any way the account for which it is entered except for orders received by the [specialist] DMM by means other than any Exchange automated order routing system for accounts in which any of the below-named persons or parties has a direct or indirect interest:

(i) The [specialist] DMM himself or herself;

(ii) any member, allied member, officer, employee or person or party active in the business of such [specialist] DMM;

(iii) the spouse and children of any of the above-named persons or parties who reside in the same household as such person or party; and

(iv) any approved person of the same member organization as such [specialist] DMM.

(c) Every [specialist] DMM shall report to the Exchange on a monthly basis, on such form and in such format as the Exchange may prescribe, a record of all purchases and

sales effected in stocks in which he or she is registered for any customer account not prohibited under section (a) which:

- (1) is carried by his or her member organization; or
- (2) is serviced by him or her or his or her member organization; or
- (3) is introduced by him or her or his or her member organization to another member organization on a disclosed basis.

• • • *Supplementary Material:* -----

.20"Popularizing" [specialty] stocks in which a DMM is registered.— It is contrary to good business practice for a [specialist] DMM or his [member organization] or her DMM unit or any other member, allied member or approved person (other than an approved person entitled to an exemption from this Rule pursuant to Rule 98) in such organization or any officer or employee thereof to "popularize", either orally or in writing, any security in which he or she is registered. An approved person entitled to the exemption from this Rule pursuant to Rule 98 may popularize a security in which an associated [specialist] DMM is registered, provided that it makes the following disclosures:

- (i) It is associated with a [specialist] DMM who makes a market in the security:
- (ii) At any given time, the associated [specialist] DMM may have an inventory position, either "long" or "short", in the security; and
- (iii) As a result of the associated [specialist's] DMM's function as a market maker, such [specialist] DMM may be on the opposite side of orders executed on the Floor of the Exchange in the security.

Rule 115. Disclosure of [Specialists'] Orders by DMMs

A member acting as a [specialist] DMM may disclose any market information [in regard to the order entrusted to the specialist]:

- (i) for the purpose of demonstrating the methods of trading to visitors to the Floor;
- (ii) to other market centers in order to facilitate the operation of ITS or any other Application of the System; and
- (iii) while acting in a market making capacity, to provide information about buying or selling interest in the market, including (a) aggregated buying or selling interest contained in Floor broker agency interest files other than interest the broker has chosen to exclude from the aggregated buying and selling interest, (b) aggregated interest of Minimum Display Reserve Orders and (c) the interest included in DMM interest files, excluding CCS interest as described in Rule 1000(c), in response to an inquiry from a member conducting a market probe in the normal course of business.

••• *Supplementary Material:* -----

.10 A member acting as a [specialist] DMM shall supply information relating to limit orders held by such member as provided for in the Plan for ITS. The Plan, as currently in effect, provides as follows:

With respect to limit orders held by any [specialist] DMM on any Participant in any stock traded through ITS, the rules of each Participant shall provide that, so long as the off-board trading rules of such Participant as in effect on the date of Plan is filed with the SEC remain in effect, such [specialist] DMM will on request and to the extent practicable supply the [specialist(s)] DMM(s) registered in such stock on any other Participant with information relating to such limit orders. The sharing of such information following any removal of the current off-board trading rules will be dependent upon implementation of necessary equal regulation of all market makers in all markets coupled with adequate surveillance procedures.

Rule 115A. Orders at Opening or in Unusual Situations

••• *Supplementary Material:* -----

.10 Queries to the Display Book[®] system prior to an opening.—[Specialists] DMMs, trading assistants and anyone acting on their behalf are prohibited from using the Display Book[®] system in a manner designed to discover inappropriately information about unelected stop orders when arranging the open or to otherwise attempt to obtain information regarding unelected stop orders.

.20 Arranging an opening or price.—[Specialists] DMMs and other members are not permitted to hold or represent orders of members merely for the purpose of arranging an opening or price except:

(1) In order to facilitate business and establish a fair opening price, a [specialist] DMM may hold a market order of another member, provided such order is delivered to the [specialist] DMM before the opening of the Exchange; or, when unusual circumstances prevail, instead of holding such an order of another member, the [specialist] DMM may give up [his] the DMM's own name with the intention of changing the name after the opening, provided such procedure is limited to one side of the market; or

(2) when a Floor Official has determined that unusual circumstances are present or apparent, and, in the interest of an orderly market, requests [specialists] DMMs or other members to hold market and limited orders of members in order to assist in establishing a fair price.

- a. In arranging an opening or reopening, a limited price order to buy which is at a higher price than the security is to be opened or reopened is to be treated as a market

order. Similarly, a limited price order to sell which is at a lower price than the security is to be opened or reopened is to be treated as a market order.

- b. Market orders shall have precedence over limited orders at the opening or reopening of the market in a security. When the price on a limited price order is the same as the price at which the stock is to be opened or reopened, it may not be possible to execute a limited price order at such price.
- c. In arranging an opening or reopening, a [specialist] DMM is required to see that each market order [he] the DMM holds participates in the opening transaction. If the order is for an amount larger than one unit of trading, the size of the bid which is accepted or the offer which is taken establishing the opening or reopening price shall be the amount that a market order is entitled to participate in at the opening or reopening.
- d. When a [specialist] DMM receives a pre-opening response from another specialist or market maker in another market center (the other specialist) pursuant to the Pre-Opening Application (as that term is defined in Rule 15) and that response indicates that the other specialist has an interest in participating in the opening transaction as principal, such interest of the other specialist shall not have preference over public orders. The manner and extent to which the other specialist may participate as principal in the opening transaction shall be as set forth in the provisions of the Plan covering the Pre-Opening Application.

"Pair-offs."—A [specialist] DMM who, as provided in (1) above, holds a market order of another member or gives up [his] the DMM's own name instead of holding the order, may, in arranging the opening, "pair-off" such an order against any order held by the [specialist] DMM or by another member.

The member who leaves such an order with the [specialist] DMM should, as promptly as possible after the opening of the stock, return to the Post. The [specialist] DMM must retain the order slip and must advise the member as to the broker and the name given up on the opposite side of the transaction. The member should proceed as promptly as possible to confirm the transaction with the broker on the opposite side.

Failure to comply with the time periods specified in the paragraph "Responsibility for Losses" below shall relieve the [specialist] DMM from responsibility for any loss that may result.

In the event that the [specialist] DMM has given up his own name instead of holding a member's order, and, based upon such order, the [specialist] DMM has effected a "pair-off" against an order of another member, the [specialist] DMM should notify the member to whom he originally gave [his] the DMM's own name of the broker and the name given up on the opposite side of the transaction. Such member should proceed as promptly as possible to confirm the transaction with the broker on the opposite side. If the [specialist] DMM has effected the "pair-off" against an order which [he] the DMM handled as a

broker, [he] the DMM should send a give-up notice to the member to whom [he] the DMM originally gave his or her own name.

"Stopping."—When a [specialist] DMM has been unable to "pair-off" a market order which has been left with [him] the DMM, as provided in (1) above, he or she may, after opening of the Exchange but before the opening of the stock, "stop" at the offer price any such market order to buy, or at the bid price any such market order to sell. In such cases, the [specialist] DMM should notify the broker who left the order with [him] the DMM that the order is "stopped" and inform [him] the broker of the price at which it is "stopped." In the event that the [specialist] DMM is unable to execute the order at a better price, [he] the DMM should send for the broker who left such order with [him] the DMM, and allow the broker to consummate the transaction.

Establishing a fair price.—A [specialist] DMM or other member who holds orders in order to assist in establishing a fair price, as provided in (2) above, should, after the establishment of such price, send for the members whose orders were held for that purpose. Such members should proceed as promptly as possible to confirm the transactions with the brokers on the opposite side.

Responsibility for losses.—A [specialist] DMM or other member who makes an error in arranging an opening or establishing a fair price shall not be responsible for any loss involved if the member whose order has been held or represented neglects to endeavor to confirm the transaction.

In the event that a member endeavors to confirm a transaction resulting from an order left with the [specialist] DMM as provided in (1) above, but is unable to do so because of an error made by the [specialist] DMM in arranging an opening, the [specialist] DMM shall be responsible for any loss which may be involved, except when:

- (1) the broker who left such order fails to return to the Post within 30 minutes after the opening sale; or
- (2) The broker who left such order returns to the Post within 30 minutes after the opening sale, but neglects to endeavor to confirm the transaction with the broker on the opposite side within 30 minutes after returning to the Post.

Precautions to avoid errors.—The possibility of confusion and errors will be substantially reduced if members who leave orders with [specialists] DMMs, as prescribed above, would make notations thereon of their names or badge numbers, and if [specialists] DMMs would make notations on orders which they return to members as to the brokers and the names given up on the opposite side.

Notwithstanding anything to the contrary contained in the preceding paragraphs pertaining to "pair-offs", "stopping", establishing a fair price, responsibility for losses and precautions to avoid errors, the provisions of these paragraphs shall not apply to obligations to trade received on the Floor by a [specialist] DMM via pre-opening responses provided for in the Pre-Opening Application of the System (as that term is

defined in Rule 15). In arranging an opening, however, a [specialist] DMM may accept and hold obligations to trade represented in such pre-opening responses and "pair-off" such obligations against any orders on the opposite side of the market held by the [specialist] DMM or by another member on the Floor of the Exchange. The member(s) on the Floor representing orders which have been paired-off against obligations to trade shall confirm the transaction directly with the [specialist] DMM.

.30 Opening Automated Report Service.—The Opening Automated Report Service (the Service) is a system designed to facilitate the efficient and accurate processing of eligible orders received by the Exchange prior to the opening or reopening of trading in designated stocks. For each designated stock, the Service will perform the following functions:

store (but not deliver to the trading post) eligible pre-opening orders; receive the opening price from the [specialist]DMM and assign such price to each stored order; and

transmit execution reports to member firms which submitted the orders containing information regarding the transaction.

The Exchange, in its discretion, will designate the stocks and the size and type of orders eligible for inclusion in the Service as well as other operational characteristics and may change such designation or characteristics from time to time.

Orders in the Opening Automated Report Service—Orders stored in the Opening Automated Report Service shall be deemed market orders of a member held by the [specialist]DMM to facilitate business and establish a fair opening or re-opening price as provided for in Rule 115A.20 above. The paragraphs in Rule 115A.20 above pertaining to "pair-offs", "stopping", establishing a fair price, responsibility for losses and precautions to avoid errors shall not apply to the execution of orders stored in the Service. Furthermore, other rules of the Exchange, to the extent inconsistent with the provisions of this Section or the operation of the Opening Automated Report Service, shall not apply to orders stored in the Service.

Execution of Orders—In opening each stock in which the [specialist] DMM has orders stored in the Opening Automated Report Service, the [specialist] DMM shall proceed in the following manner.

To the extent practicable such orders shall be executed as follows:

1. by pairing-off orders on opposite sides stored in the Service against each other; and
2. by pairing-off any imbalance of orders stored in the Service against any orders on the opposite side of the market held by the [specialist] DMM or by another member on the Floor or by the [specialist] DMM taking or supplying stock for his or her own account.

Reporting and Comparison—With respect to any order submitted by a member organization and stored in the Service, such member organization shall receive "OPN" (or such other universal contra as the Exchange may designate) as the contra party on the report of execution.

Each member whose order or bid or offer was paired-off against an imbalance in the Service pursuant to subparagraph (2) of "Execution of Orders" above, shall report the transaction as provided for in Rule 131 with "OARS" (or such other universal contra as the Exchange may designate) as the contra party. The clearing member or member organization who receives such report shall submit the trade to a Qualified Clearing Agency as part of its normal comparison data with OARS as the contra party.

Differences and Omissions

(a)

(1) When a [specialist] DMM is notified by the Exchange that a member or member organization failed to submit comparison data or submitted incorrect data with respect to a transaction for which OARS was given by the [specialist] DMM as the contra party, such [specialist] DMM shall research such item pursuant to the procedures set forth in Rule 134.A.

(2) Items not yet resolved by 4:00 p.m. of the second business day following the day of the transaction shall be accepted by the [specialist] DMM for his or her own account. Such acceptance of the transaction for his or her own account shall not prejudice the [specialist's] DMM's right to subsequently resolve the transaction with the member he or she knows as the contra-party to the trade.

Records of Orders

Orders stored in the Opening Automated Report Service shall be deemed to comply with the provisions of Rules 117 and 123.20 that orders be in writing.

Records provided to the [specialist] DMM by the Service shall be preserved pursuant to Rule 121. Records which are maintained as part of the Service log but not printed at the Post or otherwise provided to the [specialist] DMM shall satisfy the recordkeeping responsibility of the [specialist] DMM required by Rule 121.

The use of universal contras (OPN and OARS) in transactions involving orders stored in the Service and the processing of such transactions as provided above shall not be deemed inconsistent with provisions of Rules 121.10 and 138.

Rule 116. "Stop" Constitutes Guarantee

* * * * *

••• *Supplementary Material:* -----

* * * * *

.30 Restrictions on "stopping" stock by [specialists].—No [specialist] DMM may stop stock against the book or for his or her own account.

* * * * *

.50 Queries to the Display Book[®] system prior to the close.—[Specialists] DMMs, trading assistants and anyone acting on their behalf are prohibited from using the Display Book[®] system in a manner designed to discover inappropriately information about unelected stop orders when arranging the close or to otherwise attempt to obtain information regarding unelected stop orders.

* * * * *

Rule 118. Orders To Be Reduced and Increased on Ex-Date

* * * * *

••• *Supplementary Material:* -----

* * * * *

.30 Responsibility for reducing price and increasing shares in orders.— Open orders [held by a specialist] entered into Exchange systems prior to the day a stock sells ex-dividend, ex-distribution or ex-rights shall be reduced in price and, if paragraph .22 above is applicable, increased in shares by [the specialist] Exchange systems by the value of the dividend, distribution or rights, unless he is otherwise instructed by the members or member organizations from whom the orders were received. In this regard, a member or member organization may enter a Do Not Reduce or "DNR" order if he or it does not want the price of an order reduced for cash dividends, or a Do Not Increase or "DNI" order if he or it does not want an order increased in shares for stock dividends or stock distributions.

(see Rule 13 [¶2013], Definitions of Orders)

The following is the procedure with respect to orders in stocks selling "ex" on the first business day following the periodic confirmation of G.T.C. orders:

(1) [The specialist] Exchange systems shall be responsible for reducing the price and, if paragraph .22 above is applicable, increasing the shares in orders which are properly confirmed or renewed on the designated confirmation day prescribed by the Exchange.

(2) The members or member organizations [giving] entering orders to [the specialist] Exchange systems shall be responsible for the reduction of orders [which] that are

received by [the specialist] Exchange systems on the first business day following the designated confirmation day prescribed by the Exchange.

* * * * *

Rule 121. Records of [Specialists] DMM Units

Every [specialist] DMM unit shall keep a legible record of all orders placed with him or her in the securities in which [he] the DMM unit is registered [as a specialist] and of all executions, modifications and cancellations of such orders, and shall preserve such record and all memoranda relating thereto for a period of at least three years. All such records of orders and modifications or cancellations of such orders shall include the name and amount of the security, the terms of the order, modification or cancellation, and the time when such order, modification or cancellation was received. The [specialist] DMM unit shall retain for a period of at least three years any report received from the Exchange relating to the migration to or from, or the execution through, the "Off-Hours Trading Facility" (as Rule 900 (Off-Hours Trading: Applicability and Definitions) defines that term) of any order placed with the [specialist] DMM unit.

• • • *Supplementary Material:* -----

.10 Entry of orders [on specialists' books].—All orders given to [specialists] DMMs or to other members must be entered and treated according to the name appearing on the slip, even though such name may be that of a member who is known to be affiliated with a member organization. Similarly, all reports confirmations, inquiries, give-ups, calls for members to confirm trades, etc. must be made in the name appearing on the slip. However, if a member requests a [specialist] DMM to give up a clearing name instead of the one on the order slip, the [specialist] DMM is not prohibited from doing so.

Rule 122. Orders with More than One Broker

Except as provided herein, no member, member organization or any allied member therein, or subsidiary of such organization within the meaning of Rule 321, shall maintain with more than one broker, for execution on the Exchange, market orders or orders at the same price for the purchase or sale of the same security with knowledge that such orders are for the account of the same principal, unless specific permission has been obtained from a Floor Official. However, a Floor broker may transmit manually or from a hand-held terminal to the [specialist's display book for representation by the specialist] Display Book[®] system, a portion of an order, while retaining the balance of the order. In any instance where a Floor broker has [given the specialist] so transmitted a portion of an order for execution and retained the balance of such order, the Floor broker may not make a bid (offer) on behalf of the retained balance of the order in the auction market or via the Floor broker agency interest file, or execute any part of the retained order as part of an auction market transaction or automatic execution [via NYSE Direct+[®]], at a price

at which the portion of the order [with the specialist] transmitted to the Display Book[®] system may also be represented in a bid (offer) or executed until the portion of the order [sent to the specialist] transmitted to the Display Book[®] system has been executed or cancelled. [Except that, from October 26, 2006 until the availability of full d-Quoting functionality in a particular security or March 5, 2007, whichever comes first, Floor brokers are permitted to maintain both discretionary e-Quotes and CAP-DIs on the same side of the market in such security for orders that are for the account of the same principal and capable of being executed at the same price.]

Rule 123. Record of Orders

* * * * *

• • • *Supplementary Material:* -----

* * * * *

.21 Orders not subject to paragraph (e) recording requirements.—Any order executed by a [specialist] DMM, Competitive Trader or Registered Competitive Market Maker for his or her own account and any orders which by their terms are incompatible for entry in an Exchange system relied on by a Floor member to record the details of the order in compliance with this Rule shall be exempt from the order entry requirements of paragraph (e) above.

* * * * *

Rule 123A. Miscellaneous Requirements

• • • *Supplementary Material:* -----

.10 Limited orders—Market orders.—If a member gives a [specialist] DMM an order to sell stock at a limit and thereafter the [specialist] DMM receives another order to sell at the market, the [specialist] DMM must execute the market order below the limited order, unless he or she can execute them both at the same price. The same principle applies to orders to buy.

.20 Sending orders to [specialists] DMMs.—In view of the provisions of Section 11(b) of the Securities Exchange Act of 1934 [¶4342], members and member organizations must not transmit to [specialists] DMMs any orders except written market or limited price orders.

Members will facilitate business on the Floor by sending their orders to the [specialists] DMM as early as possible before the opening, and by requesting their customers and correspondents to file G.T.C. orders wherever possible, rather than to repeat the same order each morning.

In the event of a change in a day order to an open order, such open order is considered to be a new order and must be added to the book after other orders previously received at the same price.

[.22 Sending odd-lot orders.]—So far as possible, odd-lot orders should be in the hands of odd-lot brokers on the Floor not later than 15 minutes prior to the opening of trading on the Exchange.]

.23 Use of order and report forms.—Members and member organizations who rent telephone spaces on the Floor may use at such spaces order forms, etc., bearing only their own name. In the case of a member organization, the name of the Exchange member may be used, if desired, provided the prior approval of the Exchange has first been obtained.

A member or member organization who rents no space may use forms bearing their own name in the telephone spaces of other members or member organizations with the permission of the Exchange, but if no such permission has been obtained such slips may be used only for orders originated on the Floor.

A member who acts as a [specialist] DMM and uses the report pad of another member or member organization, must have his own name placed on said pad in addition to the name of such other member or member organization.

The foregoing does not apply to members who assist other members temporarily or in an emergency, but only to those members who regularly use the pad of another member or member organization.

Members and member organizations are required to use standardized stationery in such format as the Exchange may from time to time prescribe.

.24 (Intentionally left blank)

[.25 Standard Machine Order Forms.]—All firms proposing to use teletype-writer machines for transmission of orders to the Floor shall obtain the approval of the Exchange for the form prior to use on the Floor. Such order forms shall be 3 1/4" × 4 1/4" long of 15-pound sulphate grade white paper. Carbon paper, if used, should be black and of 8-pound weight. Firms using the same machine to print day and open orders must provide for a day order form and a two-part open order form.

The size of the type for the primary name on the order form should be three-sixteenths of an inch. The size of the type for the alpha symbol should be one-eighth of an inch. The primary name should appear above the alpha symbol in the top seven-eighths of an inch

of the form. The upper seven-eighths of an inch section should be separated from the body of the order by a solid thin horizontal line.

The preprinted symbol "GTC," in three-sixteenths-inch type, should be located one inch down from the top of the form in the right-hand margin. The receipt stubs of "GTC" orders should carry the legend "Receipt of Original Acknowledged" in one-sixteenth-inch type at the bottom of the form.

No other information should appear on the original or copies of the order form without the approval of the Exchange.]

[.30 A specialist may accept one or more percentage orders.—

(a) The elected or converted portion of a "percentage order that is convertible on a destabilizing tick and designated immediate execution or cancel election" ("CAP-DI order") may be automatically executed and may participate in a sweep.

(i) CAP-DI orders on the same side of the market as an automatically executed order will be elected by such execution and may participate in a transaction at the electing price if there is contra-side volume available at the electing price after the electing order is filled in its entirety.

(ii) CAP-DI orders on the same side of the market as an automatically executing order sweeping the Display Book[®] system will be elected at each execution price that is part of the sweep, but will not participate in a transaction at that price if there is volume remaining on the sweeping order. In such case, the elected CAP-DI order will be automatically and systemically unelected in accordance with its terms. At the last execution price that is part of the sweep, elected CAP-DI orders may participate in an execution at that price if there is contra-side volume remaining on the Display Book[®] system or from contra-side elected CAP-DI orders, after the sweeping order is filled or is otherwise unable to continue executing.

(iii) CAP-DI orders on the contra-side of the market as an automatically executed order will be elected by such execution and may participate in a transaction at the electing price if there is volume available at the electing price.

(iv) CAP-DI orders on the contra-side of the market as an automatically executing electing order sweeping the Display Book[®] system will be elected at each execution price that is part of the sweep, and participate in a transaction at such price if there is volume available on the Display Book[®] system or from elected CAP-DI orders on the same side of the market as the sweeping order.

(v) When a specialist is bidding, offering or trading and an automatic execution occurs with the specialist's proprietary interest, marketable CAP-DI orders on the Display Book[®] system on the same side as the specialist will be automatically converted to participate in this execution in accordance with this rule.

When accepting more than one order, the specialist must make every effort to inform the entering brokers that they will be participating with another order or orders. Information of this type would alert brokers to the fact that each order will do less than 50% of the volume. When the specialist is handling more than one percentage order, each such order will be on parity with the other. When an odd amount of shares is involved, for example, 300 shares, and a specialist holds two percentage orders, he must give the extra 100 shares to the broker having priority on a time basis. Therefore, all percentage orders given to a specialist must be time-stamped by the specialist at his Post location.

If a specialist feels he cannot properly handle a number of percentage orders at one time, he should call in a Floor Official to discuss the situation.

If so instructed by the entering broker(s), percentage orders to buy will be converted into regular limit orders for transactions effected on "minus" or "zero minus" ticks. Conversely, if so instructed by the entering broker(s), percentage orders to sell will be converted into regular limit orders for transactions effected on "plus" or "zero plus" ticks.

Special Conversion Instructions. In addition to the conversion instructions discussed immediately above, the entering broker(s) may further instruct the specialist that he may, but shall not be required to, convert a percentage order to buy into a regular limit order for transactions effected on "zero plus" and "plus" ticks. Conversely, the entering broker(s) may further instruct the specialist that he may, but shall not be required to, convert a percentage order to sell into a regular limit order for transactions effected on "zero minus" or "minus" ticks. (These ticks are hereinafter collectively referred to as "destabilizing ticks".) Pursuant to these special conversion instructions, the specialist may convert a percentage order on a destabilizing tick only where (i) the transaction for which the order is being converted is for less than 10,000 shares or a quantity of stock having a market value of less than \$500,000 and the price at which the converted percentage order is to be executed is no more than 0.10 away from the last sale price; or (ii) the transaction for which the order is being converted is for 10,000 shares or more or a quantity of stock having a market value of \$500,000 or more and the price at which the converted percentage order is to be executed is no more than 0.25 away from the last sale price.

The specialist may convert a percentage order on a stabilizing tick to make a bid or offer in such size as he deems appropriate. The specialist may convert a percentage order on a destabilizing tick to make a bid or offer in such size as he deems appropriate to add size to prevailing bid or offer.

In addition, the specialist may, except as provided below, convert a percentage order on a destabilizing tick to establish a new bid in such size as he deems appropriate, (i) immediately following a transaction where such transaction has cleared the Floor of bids and offers, or (ii) to narrow the quotation spread, provided that no such bid may be more than 0.10 of a point higher than the last sale. The specialist's conversion of a percentage order to establish a new bid pursuant to (i) and (ii) above shall be further subject to the following conditions:

- 1) Where the specialist has converted a percentage order to buy on a destabilizing tick as otherwise permitted by this rule, he may not convert a percentage order to buy to establish a new bid at a price which is higher than the price of the transaction, unless there is an intervening transaction at a price that is independent of the price established by the specialist through the conversion of a percentage order.
- 2) Where the specialist has converted a percentage order to buy to establish a new bid that is higher than the last sale price, with the result that a transaction is effected at the bid price, he may not convert a percentage order to buy to participate in a trade as otherwise permitted by this rule, unless there is an intervening transaction at a price that is independent of the price established by the specialist through the conversion of a percentage order.
- 3) Where the specialist has converted a percentage order to buy to establish a new bid that is higher than the last sale, he may not convert a percentage order to subsequently establish a higher bid, unless there is an intervening transaction at a price independent of the price established by the specialist through the conversion of a percentage order.

The same principles shall apply in the case of a specialist's conversion of percentage orders to sell. With the prior approval of a Floor Governor, Senior Floor Official, or Executive Floor Official, the specialist may convert a percentage order to make a destabilizing bid or offer at a price which would otherwise be prohibited under the limitations and conditions stated above.

Any percentage order or portion thereof converted to make a bid or offer shall be considered as a limit order on the book and will be ahead of other limit orders subsequently received by the specialist at that price, and any such bid or offer made pursuant to such order shall have the same standing in the market as would be provided any other bid or offer under the Exchange's auction market rules and procedures dealing with priority, parity, and precedence. Where the specialist has converted a percentage order to make or add to a bid (offer) as permitted by this rule, and subsequently additional buying or selling interest enters the market and establishes a different higher bid (lower offer), the original converted order or portion thereof shall retain its status on the book as a limit order at the price at which it was converted. However, unless the order has been converted at its maximum limit price, if a transaction is effected upon such higher bid (lower offer), and another bid (offer) is made at a price higher (lower) than such transaction, the original converted order or portion thereof shall be treated as a cancelled order on the book and revert to its original status as a percentage order subject to subsequent election or further conversion as permitted by this rule. Where the specialist has converted a percentage order to make or add to a bid or offer as permitted by this rule, and subsequently additional size is added to a prevailing bid or offer on the opposite side of the market from the converted percentage order, or a different bid or offer is established on the opposite side of the market from the converted percentage order, the specialist may cancel the converted order or portion thereof if he intends to reconvert the order to trade with the interest on the opposite side of the market, and such

trade is otherwise permitted by this rule. The specialist must document the status of a converted percentage order on the book as a limit order at the price it was converted.

Notwithstanding the provisions of this Rule permitting percentage orders to be converted on destabilizing ticks, where a member holds orders of 10,000 shares or more or a quantity of stock having a market value of \$500,000 or more (whichever is less) to buy or sell a particular stock which he proposes to cross at or within the prevailing market, the specialist may not, unless asked to do so by the member with the cross (assuming the cross is at or within the 0.25 point price parameter of this Rule), convert any percentage order on a destabilizing tick for execution in such proposed cross transaction unless the specialist can (at or within the 0.25 of a point price parameter specified in this Rule, and within the limit price of the order) provide a better price to one side or the other of the proposed cross.

When the specialist is holding one or more percentage orders with special instructions permitting conversions on destabilizing ticks as provided in this Rule, and a member who holds orders to buy and sell 10,000 shares or more or a quantity of stock having a market value of \$500,000 or more (whichever is less) proposes to cross such orders at or within the prevailing market, the specialist shall not, unless asked to do so by the member with the cross, trade for his own account with either the bid or the offer side of such cross (as the case may be), where the effect of such proprietary trade would be to establish a new last sale price, and thereby extend the 0.25 point price parameter specified in this Rule.

In any situation where the specialist is taking or supplying for his own account the security named in a percentage order entrusted to him, the specialist and the entering broker shall comply with the procedures for confirmation of transactions specified in Exchange Rule 91.10.

When converting a percentage order into a limit order, the specialist shall give priority to conventional limit orders on his book at that price on the same side of the market, which orders were entered before the conversion. This means that the converted percentage order may receive an execution at any particular price only after all such conventional limit orders on the book at that price are satisfied.

The entering broker may permit the specialist to be on parity with his order. However, when the specialist is handling more than one percentage order, he may not be on parity with any such order unless permission has been obtained from all brokers for whom he is holding percentage orders in the particular stock. If a specialist is on parity with one or more percentage orders, at no time may the specialist participate for his own account in an amount in excess of what each percentage order would receive, except that the specialist may participate for his own account to an extent greater than any particular percentage order where the size specified on such order has been satisfied. A specialist on parity with a percentage order remains subject to the limitations in Exchange Rule 104.10 as to transactions for his own account effected on destabilizing ticks. A specialist on parity with a percentage order shall inform the entering broker at the time the order is entered, whether or not he intends to buy or sell, as the case may be, along with the order.

Specialists must make every effort to execute percentage orders in amounts which correspond as nearly as possible to the percentage specified therein.

The elected portion of a percentage order shall be handled as a new limited price order and shall take its place on the specialist's book as though it were a new order received at the time of the electing transaction. When a specialist holds more than one percentage order each individual order shall be elected to the extent of the full amount of the electing transaction; except that percentage orders held by a specialist shall not be elected by any portion of volume which results from the execution of a previously elected or converted portion of a percentage order that is on the same side of the market.

All percentage orders and special instructions related thereto, and any modifications or cancellations thereof shall be in writing. (See also Rule 13 [¶2013] and "Records of Specialists" at Rule 121 [¶2121].)

[Specialists'] DMMs' Responsibility for Orders and Reports

.31 Orders sent to [specialists] representatives.—A member acting as a [specialist] DMM is responsible for all orders which are given by members to any person designated by said [specialist] DMM to receive orders for him or her. Every such [specialist] DMM must designate a representative at his or her post to receive orders and cancellations for him or her. Every [specialist] DMM or his or her representative must be at the post not later than one hour prior to the opening of business (or such earlier time as may be set by the Exchange because of unusual circumstances) and must remain on the Floor at least fifteen minutes following the close of the market each day, (or such longer period as may be set by the Exchange because of unusual circumstances) and must not leave the Floor in any event before all reports have been sent out.

.32 Report not received.—If a report has not been received from a [specialist] DMM on an order which he or she should have executed, the [specialist] is responsible for any loss which may be sustained up to and including the next opening price. The member or member organization giving the [specialist] DMM the order is responsible for any further loss thereafter unless the order was for the account of an out-of-town member or member organization, in which case the foregoing loss should be borne jointly by the New York member or member organization and the out-of-town member or member organization.

If a member or member organization makes a written request of a [specialist] DMM after the close for a report regarding the execution of an order, the [specialist] DMM must definitely answer the inquiry by at least forty-five minutes prior to the opening of business on the following business day. If a written request is received by a [specialist] DMM by at least one hour prior to the opening of business on the business day following the trade, the [specialist] DMM also must answer such inquiry by no later than forty-five minutes prior to the opening of business. If a written request is received by a [specialist] DMM by at least thirty minutes prior to the opening of business on the business day following the trade, the [specialist] DMM must answer such inquiry before the opening on that day. The failure of the [specialist] DMM to meet this requirement will extend the responsibility of the [specialist] DMM beyond the opening sale until time as the

[specialist] DMM does answer the inquiry. The Exchange may change one or more of the times specified in this paragraph, on a temporary basis, if market conditions so warrant.

No [specialist] DMM unit clerk may send a duplicate covering the execution of an order by a [specialist] DMM after the opening of the day following the trade unless specifically approved by the [specialist] DMM in each case. Before a duplicate report is sent, the [specialist] DMM must have personally verified that a commission stub had originally been filled out for the trade in question. If such a stub had not been filled out, it shall be deemed that a report was not originally sent out. In such case the [specialist] DMM should consult with the member or member organization that entered the order. If there is a loss involved in the failure of the member or member organization to receive a report, the [specialist] DMM must assume one-half of such loss even though the member that entered the order did not request a report. In no case where it is deemed that a [specialist] DMM did not send out a report shall the liability of the specialist extend beyond the closing price on the business day following the day of the transaction.

.33 Addressed order or order handed to [specialist] DMM.—When a [specialist] DMM receives and retains an order addressed to him or her for stock other than one in which he or she [specializes] is registered, which is delivered by a page or through the tubes, or is handed to him or her by a member without the member saying anything in relation thereto, the [specialist] DMM and the member are each responsible for one-half of any loss that may be occasioned thereby.

.34 Unaddressed order.—When a [specialist] DMM receives and retains an unaddressed order, delivered by a page or through the tubes, for a stock other than one in which he or she [specializes] is registered, the [specialist] DMM is entirely responsible for any loss that may be occasioned thereby.

.35 Erroneous statement.—When a member hands an order to a [specialist] DMM and makes an erroneous statement to the [specialist] DMM at the time as to amount, price or name of the stock, the member is entirely responsible for any loss that may be occasioned thereby.

.36 Legibility of orders.—In the preceding three paragraphs, it is assumed that the order was clearly written. If there is any question regarding clarity or legibility the matter should be referred to a Floor Official.

.37 Identity of stock.—When a member trades with a [specialist] DMM the responsibility lies with the member as to the identity of the stock traded in.

.38 Reports, written and oral.—If a [specialist] DMM accepts an order, and later informs a member in writing or orally that the order has been executed, the [specialist] DMM is responsible for said execution if it has been covered by the tape.

If an order is received and executed by a [specialist] DMM and he or she reports in writing or orally to a member that the order was not executed, the [specialist] DMM cannot compel the member to accept a report subsequently.

.39 Duplicate reports.—Duplicate reports issued by [specialists] DMMs must have DUPLICATE (in large letters) prominently stamped on the face of the report.

Broker's Obligation In the Handling of Certain Orders

* * * * *

.44 Not held orders.—A broker who has been given a not held order is to use brokerage judgment in the execution of the order, and if he exercises such judgment, is relieved of all responsibility with respect to the time of execution and the price or prices of execution of such an order.

A [specialist] DMM may not accept a "not held" order.

* * * * *

Short Sales

.71 [Specialists]. Short Sales Accepted by Members— A [specialist] member who accepts an order to sell short will be charged with seeing that the order is executed only when permitted by the rules regarding short selling.

Whenever the lowest price at which a short order may be executed is altered by reason of a change in the last sale price, the order shall be regarded as a new order at the new price and shall take its place [on the specialist's book] in Exchange systems as though it were a new order received at the time of the price change.

If a [specialist] member accepts a short order at a limited price, such order shall be [entered on his books along with long stock] handled in accordance with the usual practice and rules of the Exchange [precedence].

Great care must be exercised by [specialists] members in the handling of short limited orders. Members [entrusting] entrusted with short limited orders [to specialists] will appreciate that such orders may not retain their precedence when the limit at which they can be executed is changed as a result of the restrictions contained in such rules.

[.72 Floor brokers.— The principles stated above regarding the handling of short orders by specialists are applicable also to all Floor brokers. Such brokers will be responsible for seeing that short orders are executed only in conformity with such rules. When such a broker holds two or more selling orders in the same security, the order of precedence outlined in .71, above, for specialists shall govern.]

* * * * *

Rule 123B. Exchange Automated Order Routing Systems

* * * * *

(b) Special Features. The following special features shall be available to orders of such size as the Exchange may specify from time to time:

(1) Intentionally omitted

(2) **[Half-Point Error Guarantee]**

(A) Rule 411 provides that the price at which an order is executed shall be binding notwithstanding the fact that an erroneous report in respect thereto may have been rendered. As between brokers, when a purchase or sale has been reported in error, and a transaction has appeared on the tape at the price of the erroneous report and in a quantity equal to or exceeding the amount reported, the broker who made the error must render a corrected report not later than noon on the business day following the day of the transaction. If not so corrected, the broker who made the error will be responsible for any resulting loss.

(B) The provisions in paragraph (A) shall not apply to orders received by the [specialist] DMM through the Designated Order Turnaround System (DOT) and to limit orders of a size as the Exchange shall from time to time determine received by the [specialist] DMM through the Limit Order (LMT) System. As to such DOT orders and LMT orders, erroneous execution reports sent by the [specialist] DMM via the System shall be binding except that (i) if the erroneous report is at a price which is more than one-half point away from the execution price, then the price of the execution shall be binding, and (ii) if the DOT or LMT subscribing member organization requests a correction from the [specialist] DMM prior to the opening on the second business day following the day of the transaction, the [specialist] DMM shall correct the execution report to the price of the execution and that price shall be binding. If the erroneous execution report sent by the [specialist] DMM is at a price which is more than one-half point away from the execution price and if a transaction has appeared on the tape at the price of the erroneous report and in a quantity equal to or exceeding the amount reported, the [specialist] DMM must render a corrected report no later than noon on the business day following the day of the transaction. If not so corrected, the [specialist] DMM will be responsible for any resulting loss. However, as to LMT orders, erroneous execution reports sent by the [specialist] DMM shall also not be binding where the subject security did not trade at or below (or above, as the case may be) the limit price specified on the order on that trading day.

* * * * *

(d) (i) Unless otherwise specified in this Rule, a specialist shall execute System orders in accordance with Exchange auction market rules and procedures, including requirements to expose orders to buying and selling interest in the trading Crowd and to cross orders before buying or selling for his own account.

(ii) Notwithstanding paragraph (d)(i) above, a [specialist] DMM executing System orders in accordance with Rule 104.10(10)(i) is not required to expose such orders to buying and selling interest in the trading Crowd.

(iii) All market orders, regardless of size, routed to the [specialist's] DMM's post by means of the System are "held" orders, and a [specialist] DMM may be deemed to have "missed the market" if any such order is not executed against prevailing contra side interest in the market at the time he or she receives the order.

[(e)] (d) The Exchange shall not be liable for any loss sustained by a member or member organization resulting from the use of the System. Generally, a loss pertaining to an order that is entered through the System and which does not appear on the System's Merged Order and Report Log will be absorbed by the entering member organization. A loss pertaining to an order that is entered through the System, [which was designated for a particular specialist's post] and which does appear on the System's Merged Order and Report Log will generally [be absorbed by the specialist] subject to the provisions of Exchange Rule 18.

[Specialist] DMM Booth Wire Policy

A. Authorization for Booth Wires

1. Unless it does a business in [non-specialty stocks] securities in which it is not registered, no [specialist member organization] DMM unit shall be authorized by the Exchange to have a booth wire.

B. [Specialists'] DMMs' Communications by Means of Their Own Booth Wires or Booth Wires Assigned to Other Members/Member Organizations

1. A [specialist] DMM may communicate with the upstairs trading desk of a member organization by means of a booth wire assigned to that organization only under the following conditions:
 - a. a [specialist] DMM may not accept an order in a [specialty stock] registered security by means of a booth wire.
 - b. a [specialist] DMM may not accept a modification of an order already in his possession by means of a booth wire.
 - c. if a [specialist] DMM does not have an order of a member organization in his or her possession, he or she may not initiate a communication with that organization's upstairs trading desk.
 - d. if a [specialist] DMM does have an order in his or her possession from the member organization, the [specialist] DMM may initiate a conversation by means of that organization's booth wire with that organization's block trading desk, or he or she may respond to a request for such a conversation. The [specialist] DMM may not, however, initiate such a conversation if he or she has orders on the same

side of the market in his or her possession from more than one member organization and the execution of those orders might be impacted as a result of a booth wire conversation with the upstairs trading desks of the member organizations that entered the orders.

[e] a. a [specialist] DMM may engage in a conversation with the upstairs trading desk of a member organization as permitted herein only for the purpose of discussing general market conditions or known buying and selling interest that may have an impact upon the execution of an order in the [specialist's] DMM's possession or, where the [specialist] DMM does not have an order in [his] the DMM's possession, upon a decision to enter an order.

[f] b. in no event may a [specialist] DMM disclose information [he] the DMM is required to keep confidential under Exchange rules and policies, and in no event may a [specialist] DMM disclose information that [he] the DMM would not make available, in the routine course of discharging [his] the DMM's marketmaking and agency responsibilities, either upon [his] the DMM's own initiative or upon request, as appropriate, to any member on the Floor, or to any other member organization's upstairs trading desk by means of that organization's booth wire.

C. [Specialists'] DMMs' Responsibility to Be Fair and Impartial in Booth Wire Communications

1. [Specialists] DMMs are responsible for communicating, as permitted under Exchange rules and policies, relevant market information in a fair and impartial manner. A [specialist] DMM shall not favor any particular member organization in determining the appropriateness of responding to requests to communicate with a member organization's upstairs trading desk by means of a booth wire, but shall respond to all such requests insofar as the level of market activity and overall market conditions permit [him] the DMM to do so at the time [he] the DMM receives a request for a booth wire communication.
2. A [specialist] DMM who fails to act in a fair and impartial manner in responding to requests for a booth wire communication, as permitted herein, shall be deemed to be acting in contravention of just and equitable principles of trade.

• • • *Supplementary Material:* -----

.10 Intentionally omitted

.20 For purposes of this Rule, in all instances where an order received by [the specialist] Exchange systems is canceled and replaced with another order, the replacement will be deemed to be a new order.

Rule 123C. Market On The Close Policy And Expiration Procedures

(1)Market "At-The-Close" (MOC) Orders.—Everyday, MOC orders are to be executed in their entirety at the closing price. If not executed due to a trading halt or by its terms, e.g., buy minus or sell plus, the order will be cancelled.

The procedures for handling market-on-close orders do not, however, supersede the requirements in the ITS rules to satisfy better-priced ITS bids or offers at the close.

In order to minimize excess market volatility that may be associated with large-size MOC orders that are entered near the close, and to allow sufficient time to attempt to offset large imbalances of MOC orders, there is a deadline of 3:40 p.m. for the entry of all MOC orders in all stocks on all trading days except for those orders entered to offset imbalance publications or on either side of the market if a regulatory halt is in effect at 3:40 p.m. or occurs after that time. In the case of a regulatory halt, MOC orders may be entered until 3:50 p.m. or until the stock reopens, whichever occurs first, even if an imbalance publication occurred prior to the regulatory halt. Brokers in the Crowd are required to make their irrevocable MOC interest known to the [specialist] DMM by this time. Between 3:40 p.m. and 3:50 p.m., MOC orders are irrevocable, except to correct a legitimate error (e.g., side, size, symbol, price or duplication of an order), or when a regulatory trading halt is in effect at or occurs after 3:40 p.m. Cancellations of MOC orders as a result of a regulatory halt are permitted until 3:50 p.m. or until the stock reopens, whichever occurs first. After 3:50 p.m., cancellation or reduction in size of MOC orders will not be permitted for any reason, including in case of legitimate error.

Market orders to sell "short" at-the-close represented as "G" orders must yield priority, parity, and precedence to limit orders not represented pursuant to Section 11(a)(1)(G) of the Act. For example, in executing an imbalance of "at-the-close" buy orders, a "G" order to sell "short" at-the-market or at a limit would yield to sell orders limited at the closing price which are not represented as "G" orders. This will be the policy even if the "G" order to sell "short" at-the-market theoretically could have been executed at a better price (and still satisfy the "short sale" rule in terms of a "plus" or "zero plus" tick). This would not be applicable if the market "G" order was to sell "long."

(2)Limit "At-The-Close" (LOC) Orders.—Limit-at-the-close ("LOC") orders may be entered on any trading day, in any stock during the trading day, up to 3:40 p.m. As with market-on-close ("MOC") orders, between 3:40 p.m. and 3:50 p.m., LOC orders not related to a strategy involving expiring derivatives may be entered only to offset published imbalances, or on either side of the market if a regulatory halt is in effect at 3:40 p.m. or occurs after that time. In the case of a regulatory halt, LOC orders may be entered until 3:50 p.m. or until the stock reopens, whichever occurs first, even if an imbalance publication occurred prior to the regulatory halt. LOC orders may not be cancelled or reduced in size except to correct a legitimate error, or when a regulatory trading halt is in effect at or occurs after 3:40 p.m. Cancellations of LOC orders as a result of a regulatory halt are permitted until 3:50 p.m. or until the stock reopens, whichever occurs first. After 3:50 p.m., cancellation or reduction in size of LOC orders will not be permitted for any reason, including in case of legitimate error.

A LOC order is one that is entered for execution at the closing price, provided that the closing price is at or within the limit specified. They are prioritized on the [specialist's book] Display Book[®] system by time of entry and go behind all other orders on the [specialist book] Display Book[®] system at that price regardless of when such other orders are received. LOC orders with prices that are better than the closing price in the subject security are guaranteed an execution unless there is a trading halt in the security. LOC orders limited at the closing price are not guaranteed an execution.

(3) Closing Prints

(A) Order Imbalance.—Where there is an imbalance of shares to buy over shares to sell in MOC and/or marketable LOC orders, or vice versa, the imbalance shall, at the close of trading, be executed against the bid or offer on the Exchange, as appropriate. (An imbalance of buy orders would be executed against the offer. An imbalance of sell orders would be executed against the bid.)

The [specialist] DMM shall then stop the remaining MOC/LOC buy and MOC/LOC sell orders against each other and pair them off at the price of the immediately preceding sale described above. The "pair off" transaction would be printed on the Tape as "stopped stock." (Rule 116.40) (Any stop orders that would be elected based on the closing price will be automatically and systemically converted to market orders and included in the total number of market-at-the-close orders to be executed as if the elected stop orders were market-at-the-close orders. Any percentage orders that would be elected and become executable as a result of the closing transaction should also be included in the close.)

Example: Assume the market in a stock just prior to the close of trading on the Exchange on any day is quoted 30 to 30.08, 500 by 1,000. There are market at-the-close orders to buy 1,000 shares, and market at-the-close orders to sell 1,500 shares.

The 500 share imbalance of sell orders must be executed against the bid. The remaining market at-the-close orders to buy 1,000 shares and sell 1,000 shares are then stopped against each other and paired off at a price of 30.

The "pair off" transaction would be printed as "stopped stock."

* * * * *

Order Entry.

Stock orders relating to index contracts whose settlement pricing is based upon the "Expiration Friday's" opening prices must be received by [SuperDOT or by the specialist] Exchange systems by 9:00 a.m.

- These orders may be cancelled or reduced in size. Firms cancelling these orders or reducing them in size shall prepare contemporaneously a written record describing the rationale for the change and shall preserve it as Rule 410 provides.
- Stock orders relating to index contracts whose settlement pricing is not based upon the "Expiration Friday's" opening prices may be entered before or after 9:00 a.m.

To facilitate early order entry, [SuperDOT] Exchange systems (a) will begin accepting orders at 7:30 a.m. and (b) will accept orders of 500,000 shares or less.

"Limit at the opening" ("limit OPG") orders are permitted, including delivery through Exchange systems.

- Ordinary limit orders may also be entered.

* * * * *

Rule 123D. Openings and Halts in Trading

(1)Delayed Openings/Halts in Trading.—It is the responsibility of each [specialist] DMM to ensure that registered stocks open as close to the opening bell as possible, while at the same time not unduly hasty, particularly when at a price disparity from the prior close. [Specialists] DMMs may open a registered stock on a trade or on a quote. A [specialist] DMM may open a registered stock on a quote when there is no opening trade. Openings may be effectuated manually or electronically (see Rule 104(b)(ii)). Openings and reopenings should be timely, as well as fair and orderly, reflecting a professional assessment of market conditions at the time, and appropriate consideration of the balance of supply and demand as reflected by orders represented in the market. [Specialists] DMMs should, to the best of their ability, provide timely and impartial information at all phases of the opening process. [Specialists] DMMs should ensure adequate personnel are assigned and call upon additional clerical and relief [specialist] DMM resources to assist in order management and Crowd communication, when appropriate. It is also incumbent upon [specialists] DMMs to seek the advice of Floor Officials when openings are delayed or when a halt in trading may be appropriate due to unusual market conditions.

Brokers should recognize the difficulty in providing accurate information in a constantly changing situation, and that significant changes are often occasioned by single orders or substantial interests delivered via DOT. Brokers should make every effort to ascertain the client's interest as early as possible and to inform the [specialist] DMM so that such interest can be factored into the opening process. Brokers should communicate to clients the problems caused by delaying their interest until the last minute. Brokers should expect to have time to communicate the essential facts to their clients and to react to the changing picture. They should not expect, however, to be able to delay the opening for every last fragment of this change, and should recognize their obligation to a timely opening. Once a relatively narrow range of opening possibilities is given, the broker and his or her client should have sufficient information to enter a final order. In this regard, brokers should advise their clients against limits which are not firm, or are based solely on where the opening looked at the time the information was given. Brokers should not expect to be given endless opportunities to adjust those limits. Whenever possible the broker should have discretion within a range of the client's interest, and have the power to react to last minute changes without having to go back to the phone. This is particularly true for orders in amounts that represent a small fraction of the total opening volume, but applies to all orders. Brokers must recognize that orders or cancellations merely dropped on the counter can be lost or misplaced, and should hand the order

directly to the [specialist] DMM or his or her assistant and orally state the terms. Failure to do so could result in a monetary error to the broker as well as the [specialist] DMM.

Floor Officials participate in the regulatory process by providing an impartial professional assessment of unusual situations, as well as advice with respect to pricing when a significant disparity in supply and demand exists. The [specialist] DMM, however, has ultimate responsibility in this regard, and while a Floor Official's approval may be a mitigating factor, it will not exonerate a [specialist] DMM when performance has been deemed not satisfactory.

A [specialist] DMM should consider the following areas of [specialist] DMM performance when involved in an unusual market situation:

- an opening price change that is not in proportion to the size of an imbalance;
- absence of an indication before a large opening price change;
- inadequate support after a large opening price change, i.e., lack of sufficient continuity and depth in the aftermarket;
- absence of trading without good cause or Floor Official approval (or an unjustified or unreasonably delayed opening or halt in trading);
- not obtaining appropriate Floor Official approvals for opening delays, trading halts, and wide price variations.

In addition, a Floor Official should be consulted as soon as it becomes apparent that an unusual situation exists, and a Floor Governor should be consulted if it is anticipated that the opening price may be at a significant disparity from the prior close. If an unusual situation exists, such as a large order imbalance, tape indications should be disseminated, including multiple indications if appropriate with the supervision of a Floor Official. A second Floor Official's opinion in a delayed opening is required if there is difficulty in arriving at a decision; if the size of the price change from the previous NYSE close is three points or more or represents a 10% change in price; or if the stock has not opened within 50 minutes after the opening of business or 20 minutes after an extended delayed opening time frame. All tape indications require Floor Official approval. (See Appendix—Floor Official Approval Form #3)

Exchange policy requires the dissemination of an indication in connection with any delayed opening — involving any stock which has not opened (or been quoted) by 10:00 a.m. In addition, the dissemination of an indication is mandatory for an opening which will result in a significant price change from the previous close:

**Previous NYSE Price Change (equal or
Closing Price* greater than)**

Under \$10	1 point
\$10-\$99.99	the lesser of 10% or 3 points
\$100 and Over	5 points

*The above guidelines are applicable to Initial Public Offerings based on the offering price.

All indications require the supervision and approval of a Floor Official. If it involves a bank or brokerage stock, the approval of an Executive Floor Governor is required. If an Executive Floor Governor is unavailable, a Floor Governor's or Senior Floor Official's approval must be obtained. In addition to the mandatory criteria, [specialists] DMMs should use their judgment as to when it is appropriate to seek Floor Official approval for disseminating a price indication.

Mandatory indication policy applies to a foreign-listed security only if the opening price will be at a significant price change (see chart above) from its closing price in the foreign market or the current price in the foreign market.

Mandatory indications for convertible preferred stocks are only required if an indication was disseminated in the underlying common stock.

In this regard the following procedures should be followed for delayed opening and trading halt indications:

- The length of time for the dissemination of indications should be in proportion to the anticipated disparity of the opening or reopening price from the prior sale.
- The number of indications should increase in proportion to the anticipated disparity in the opening or reopening price, with increasingly definitive, "telescoped" indications when an initial narrow indication spread is impractical.
- An indication should be published immediately when trading is halted for a non-regulatory order imbalance. Such indications should be broad enough to allow flexibility, but narrow enough to convey as accurate a picture of supply and demand as possible at the time. In most cases, a final indication with a one point spread would be appropriate. Further telescoping to one-half point could result in unnecessary delay due to a change in the terms of a pivotal order. Even if an indication is not disseminated, [specialists] DMMs should endeavor to provide brokers with an approximate range within which they believe a stock will open.
- Tape indications before the opening should be disseminated at 9:15 a.m., if possible, but any tape indications disseminated prior to 9:30 a.m. require the approval of an Executive Floor Governor or Floor Governor, or the approval of a Floor Official if it relates to a spin-off or if trading had been halted and not resumed the prior day.
- Tape indications and halts in trading in NYSE Bonds SM are set forth in Rule 86.

ITS Pre-Opening Applications must be followed when necessary based upon the anticipated opening price. For example, a Pre-Opening Notification must be issued if a stock is going to open more than .10 of a point from a composite last sale under \$15 or more than .25 of a point from a composite last sale of \$15 or higher. The spread in the Pre-Opening Application may not exceed .50 of a point if the consolidated close is under \$50 or one point if the consolidated close is \$50 or higher with limited exception. If a Pre-Opening Application is required on an opening or any reopening and a tape indication is also issued, the indication satisfies the Pre-Opening Application requirement if it is also sent to the ITS participants by the [specialist] DMM in the form of Pre-Opening Notification. In that case, the maximum ITS spread would not apply. Three minutes must elapse from the time a Pre-Opening Application is issued, and an additional one minute if subsequent notifications are required, before a stock should open.

As with other openings, tape indications are discretionary for IPO's with the approval of an Executive Floor Governor or Floor Governor except that it is mandatory if the opening price change as measured from the offering price meets the requirements for a mandatory indication.

If an indication is disseminated after the opening bell, it must be considered a delayed opening. In addition, any stock that is not opened with a trade or reasonable quotation within 30 minutes after the opening of business must be considered a delayed opening (except for IPO's) and requires Floor Official supervision, as well as an indication. That 30-minute time frame may only be extended by an Executive Floor Governor on a Floor-wide basis.

More than one indication should be disseminated if an opening will be outside the first indication or if the first indication had a wide spread, especially if the time frame for delayed openings has been extended by the Executive Floor Governor. A reduction in time between indications can be used when multiple indications are disseminated. Generally, a minimum of three minutes must elapse between the first indication and a stock's opening as measured by the time the indication appears on the PDU. However, when more than one indication is disseminated, a stock may open one minute after the last indication provided that at least three minutes must have elapsed from the dissemination of the first indication.

With respect to a post-opening trading halt, a minimum of three minutes must elapse between the first indication and a stock's reopening. However, where more than one indication is disseminated, a stock may re-open one minute after the last indication, provided that at least three minutes must have elapsed from the dissemination of the first indication.

Tape indications must be disseminated with the approval of a Floor Official prior to the opening or reopening in a stock subject to a regulatory or nonregulatory halt in trading or a delayed opening. A Floor Governor should be consulted if a significant price change is anticipated.

An Executive Floor Governor or Floor Governor should be consulted in any case where there is not complete agreement among the Floor Officials participating in the discussion.

Floor Governors should keep apprised of developments when consulted, and should seek the assistance of Executive Floor Governors, when appropriate, as soon as possible.

Floor Governors should be prepared to balance the opportunity for brokers to participate in the opening with the need for timeliness, and should assist in identifying opportunities for opening the security, based upon the shifting supply and demand in conjunction with appropriate [specialist] DMM participation.

[Specialists] DMMs should make every effort to balance timeliness with the opportunity for customer reaction and participation. Although the correct price based on information available at the time is always the goal, [specialists] DMMs and supervising Floor Governors should recognize customers' desires for a timely opening. When the [specialist] DMM and Floor Governor agree that all participants have had a reasonable opportunity to participate, the [specialist] DMM should open the stock.

Once trading has commenced, trading may only be halted with the approval of a Floor Governor or two Floor Officials. An Executive Floor Governor, or in their absence a Senior Floor Governor, should be consulted if it is felt that trading should be halted in a bank or brokerage stock due to a potential misperception regarding the company's financial viability.

Sometimes the Exchange is notified by a listed company in advance of publication concerning news which might have a substantial market impact. The designated Exchange staff will advise an Executive Floor Governor or Floor Governor, or in their absence a Floor Official.

If the Exchange staff makes a recommendation that trading should be halted in a stock pending a public announcement by the company and the Executive Floor Governor or Floor Governor disagrees, he or she should seek the opinion of another Executive Floor Governor or Floor Governor. If the Executive Floor Governors or Floor Governors are in agreement that trading should not be halted, trading should continue. If one of the two is in agreement with the recommendation to halt trading, then trading should be halted. While the time period may vary from case-to-case as a result of the particular circumstances involved, normally if the announcement is not made within approximately 30 minutes after the delay or halt is implemented, the Exchange may commence the opening or reopening of trading in the stock. Special care is taken to ensure that material non-public information is not disclosed, even inadvertently, as a result of someone overhearing details relating to trading halts or delayed opening situations.

[Stopped stock prior to a halt should be printed as "sold" with the specialist as contra and adjusted if the reopening is at a more advantageous price.]

It is important that all appropriate Floor Official forms are completed.

* * * * *

Rule 123E. [Specialist] DMM Combination Review Policy

(a) No [specialist organization] DMM unit shall complete a "proposed combination" (defined below) with one or more other [specialist organizations] DMM units unless the combination has been approved pursuant to this policy.

(b) Except as provided below, in any case where a proposed combination involves or would result in a [specialist organization] DMM unit accounting for more than five percent of any of the "concentration measures" (defined below), the Quality of Markets Committee (the "Committee") shall review the proposed combination with the following considerations in mind:

(1) [Specialist] DMM performance and market quality in the stocks subject to the proposed combination, with a recommendation from the Market Performance Committee on these matters pursuant to paragraph (e) below.

(2) The effects of the proposed combination in terms of the following criteria:

(i) Strengthening the capital base of the resulting [specialist organization] DMM unit;

(ii) Minimizing both the potential for financial failure and the negative consequences of any such failure on the [specialist] DMM system as a whole; and

(iii) Maintaining or increasing operational efficiencies;

(3) Commitment to the Exchange market, focusing on whether the constituent [specialist organizations] DMM units have worked to support, strengthen and advance the Exchange, its agency/auction market and its competitiveness in relation to other markets; and

(4) The effect of the proposed combination on overall concentration of [specialist organizations] DMM units.

The Committee shall approve or disapprove the proposed combination based on its assessment of these considerations. In the case where a combination involves an organization that is not a [specialist organization] DMM unit, consideration (b)(3) shall entail an assessment of whether the organization will work to support, strengthen and advance the Exchange, its agency/auction market and its competitiveness in relation to other markets.

In any case where a [specialist] DMM unit currently exceeds five percent of any concentration measure, and then proposes a combination that would not result in increasing its concentration measure by more than two percentage points, or not result in the combined unit moving into a higher tier classification, the Quality of Markets Committee shall not review the proposed combination. The Market Performance Committee shall review the proposed combination from the standpoint of assessing

[specialist] DMM performance and market quality with respect to the securities subject to the proposed combination. The Market Performance Committee will approve, or disapprove in writing, such combination, and may impose such conditions as it deems appropriate with respect to [specialist] DMM performance and market quality.

(c) In any case where a proposed combination involves or would result in a [specialist organization] DMM unit accounting for more than ten percent (a "Tier 2 combination") of any of the concentration measures, the Committee shall give primary weight to consideration (b)(4). The Committee shall disapprove the proposed combination unless the constituent [specialist organizations] DMM units:

(1)

(a) For a proposed combination which involves or would result in a [specialist] DMM unit accounting for more than ten percent, but less than or equal to 15%, of a concentration measure, prove, by a preponderance of the evidence; or

(b) For a proposed combination that involves or would result in a [specialist] DMM unit accounting for more than 15% of a concentration measure (a "Tier 3 combination") present clear and convincing evidence that, if approved, the proposed combination:

(i) Would not create or foster concentration in the [specialist] DMM business detrimental to the Exchange and its markets;

(ii) Would foster competition among [specialist organizations] DMM units;

(iii) Would enhance the performance of the constituent [specialist organization] DMM unit and the quality of the markets in the stocks involved;

(iv) Demonstrate that, if approved, the proposed combination is otherwise in the public interest.

(d) The Committee may condition any approval under either paragraph (b) or paragraph (c) upon compliance by the resulting [specialist organization] DMM unit with any steps the Committee may specify to address any concerns it may have in regard to considerations (b)(1)—(4).

In addition, with respect to proposed combinations which involve or would result in [specialist organizations] DMM units accounting for more than ten percent of a concentration measure, the Committee shall not grant approval unless the proponents of the combination submit an acceptable risk management plan with respect to any line of business in which they engage, and submit an operational certification prepared by an independent, nationally recognized management consulting organization with respect to all aspects of the firm's management and operations.

(e)

(1) In all situations involving a proposed combination of [specialist] DMM units, the Market Performance Committee shall assess the impact of the proposal upon [specialist] DMM performance and market quality with respect to the subject securities. In making such assessment, the Market Performance Committee shall:

(a) review the individual unit's overall performance in various measures of [specialist] DMM performance, such as ratings on the Specialist Performance Evaluation Questionnaire, SuperDOT turnaround performance and administrative response times, capital utilization, dealer participation rates, stabilization rates, continuity, depth, quote spreads, as well as recent regulatory and disciplinary history; and

(b) review performance specifically with respect to each component stock of the Dow Jones Industrial Average, if applicable, if the combination is a Tier 1 combination (more than five percent, but not more than 10 percent of any concentration measure), and, in addition, performance with respect to each component stock of the S&P 100 Stock Price Index, if applicable, if the combination is a Tier 2 or Tier 3 combination.

(2) Proponents of a [specialist] DMM unit combination must make a written submission to the Quality of Markets Committee or the Market Performance Committee, as appropriate, discussing all factors relevant under this policy to that Committee's review of the proposal. In addition to addressing the [specialist] DMM performance and market quality considerations noted above, the proponents of the combination must discuss:

(a) performance in any stocks received through previous combinations or transfers of registrations during the preceding two years; and

(b) whether existing levels of clerical support will be maintained or increased.

(3) Proponents of any combination subject to a Tier 2 or Tier 3 review by the Quality of Markets Committee must demonstrate that:

(a) the combined unit will have a separate corporate relations department fully staffed to maintain appropriate relations with each of its listed companies, and that it is capable of keeping listed company officials apprised of market developments on a daily basis. Each unit involved in the combination must demonstrate full compliance with Rule 106, or must submit to the Committee a plan providing specific, tangible steps to come into full compliance; and

(b) the combined units will have a real-time surveillance system that monitors [specialist] DMM trading and uses exception alerts to detect unusual trades or trading patterns.

(4) In addition, the proponents of a Tier 2 or Tier 3 review must discuss whether it has disaster recovery facilities for its computer network and software, whether it has designated specific individuals to handle unusual situations on the Floor (if so, the names of the individuals), whether the combined unit will employ a "zone" or other management system on the Floor (with identification of the names of the individuals and their specific responsibilities, as applicable), and whether the combined unit will designate a senior

[specialist] DMM to be responsible for reviewing [specialist] DMM performance data, with specific procedures for correcting any deficiencies identified.

(f) A [specialist] DMM unit combination subject to review by either the Quality of Markets Committee or the Market Performance Committee under this policy must result in:

(i) total capital of the combined unit meeting, at a minimum: (a) the requirements of Rules 104.20 - 104.21, (b) be acceptable to the Exchange, and (c) the combined unit's capital requirement may be temporarily revised at the discretion of the Exchange; and

(ii) all required [specialist] DMM capital be accounted for separately from any other capital, and be used solely for the [specialist] DMM business.

(g) For purposes of this policy, a "proposed combination" includes:

(1) A merger of [specialist organizations] DMM units or an acquisition of one organization by another;

(2) The formation of a joint account involving two or more existing organizations;

(3) The "split-up" of an existing organization (including an organization operating under a joint account) and recombination with another organization;

(4) An individual [specialist] DMM leaving an existing organization and proposing to take stocks with him or her to join another existing organization; and

(5) Any other arrangement that would result in previously separate organizations operating under common control.

(h) For purposes of this policy, the "concentration measures" are:

(1) The common stocks listed on the Exchange;

(2) The 250 most active common stocks listed on the Exchange;

(3) The total share volume of trading in common stocks on the Exchange; and

(4) The total dollar value of trading in common stocks on the Exchange.

••• **Supplementary Material:** -----

.10 Guidelines for Applying Consideration b(3)

Consideration (b)(3) entails the Committee's review of the constituent units' past conduct. For example, the Committee shall assess each constituent unit's:

- (a) Participation upon request in the Exchange's FACTS program, in its marketing seminars, in sales calls and in other of its marketing initiatives seeking to attract order flow and new listings.
- (b) Acceptance of innovations in order-routing and other trade-support systems and willingness to make optimal use of the systems once they become fully operational.
- (c) Willingness to apply for a broad range of new listings and for allocations of stocks that are less lucrative from the standpoint of profitability to the [specialist] DMM.
- (d) Assistance to other units by providing capital and personnel in unusual market situations, such as "breakouts" and difficult openings.
- (e) Efforts at customer relations with both listed companies and order providers, as evidenced by personal contact, return of telephone calls, prompt resolution of complaints, assessment of customer needs and anticipation of customer problems.
- (f) Efforts to streamline the efficiency of its own operations and its competitive posture.

.20 Guidelines for Applying Consideration (c)(1)(a)(iv)

Consideration (c)(1)(a)(iv) requires review of whether a proposed combination is in the public interest. For example, the Committee may consider the unit's efforts to enhance market quality, its capabilities for maintaining on-going communications with its listed companies and customers in compliance with Rule 106, and its commitment to applying for new listings and other activities.

* * * * *

Rule 124. Odd-Lot Orders

(a) Except as provided below, all orders for less than the unit of trading ("odd-lot orders") shall be received, processed, and executed by means of the Exchange system designated for such purpose ("the System"). The [specialist] DMM for the subject security shall be the contra party to all such executions. No differential or commission may be charged with respect to any odd-lot order received by the System. All odd-lot orders entered for execution to the System shall contain the appropriate account type identification code according to specified account type categories in accordance with the reporting requirements of Rule 132.

(b) For the purposes of this Rule, the term "marketable" when applied to an odd-lot limit order to buy shall mean at a price that is at or higher than the current National best offer and when applied to an odd-lot limit order to sell shall mean at a price that is at or lower than the current National best bid ("NBBO").

(c)Market and Marketable Limit Orders.— Odd-lot market orders and odd-lot limit orders that are marketable upon receipt by the System (hereinafter collectively referred to as "marketable odd-lot orders") shall begin automatic execution only following the first round-lot transaction on the Exchange in the subject security. Marketable odd-lot orders will be executed in time priority of receipt by the System at the price of the next round-lot transaction on the Exchange in the subject security following receipt of the orders by the System, subject to the following:

(i) Marketable odd-lot buy orders and odd-lot sell orders will be executed at the price of such round-lot transaction on the Exchange with the [specialist] DMM as the contra side to the extent that such odd-lot orders total an equal number of shares bought and sold, except that a marketable odd-lot order that would otherwise receive a partial execution shall be executed in full.

(ii) Marketable odd-lot orders that do not receive an execution pursuant to paragraph (c)(i), shall be executed in time priority of receipt by the System at the price of the National best bid (in the case of marketable odd-lot orders to sell), or the National best offer (in the case of marketable odd-lot orders to buy), with the [specialist] DMM as the contra party to all such executions.

* * * * *

Rule 127. Block Crosses Outside the Prevailing NYSE Quotation

(a) A member organization that receives an order or orders for the purchase or sale of a block of stock, [which]that may not readily be absorbed by the market, should explore in depth the market on the Floor. Unless professional judgment dictates otherwise, this should include checking with the [specialist] DMM to ascertain the extent of the [specialist's] DMM's interest in participating at an indicated price or prices. The [specialist] DMM should maintain the same depth and normal variations between sales as he or she would had he or she not learned of the block.

(b) A member organization which has a block of stock it intends to cross on the Floor at a specific clean-up price outside the current quotation should, when ready to effect the cross, proceed in the manner described below.

(i) The member organization should inform the [specialist] DMM of its intention to cross a block at a specific price. There should not be any intervening trades other than transactions required to effect the block cross as required herein by the member organization representing the block order between the time it informs the [specialist] DMM of its intention and the trade or trades to clean-up the block.

* * * * *

(d) Reasonable Needs of the [Specialist] DMM

(1) After exploring the market and consulting with the [specialist] DMM, the member organization should be prepared to fill the needs of the [specialist] DMM in accordance with that conversation. The [specialist] DMM cannot increase the amount which he or she initially indicated unless the member organization agrees or the market has changed substantially.

(2) If the member organization does not consult with the [specialist] DMM, the member organization should make a professional estimate of the probable needs of the [specialist] DMM and reserve an appropriate amount to fill such needs.

(3) If the [specialist] DMM and the member organization representing the block orders disagree as to the extent of the needs of the [specialist] DMM, they should consult with a Floor Official. As appropriate, it may be necessary for the [specialist] DMM to trade with the offer side of the cross to ensure that his or her reasonable needs in maintaining an aftermarket are satisfied. As provided in Rule 92, the specialist may not retain any stock for his or her own account obtained at a price at which he or she holds executable, but unfilled, orders.

* * * * *

Rule 129. Oversight Services

The Board may from time to time impose such charge or charges on members and member organizations as it shall deem appropriate to reimburse the Exchange, in whole or in part, for regulatory oversight services provided the membership by the Exchange.

Annual Regulatory Fee (effective January 1, 2008).

Fee per \$1,000 Gross Revenue (FOCUS) ^[a]	\$0.105
--	---------

Minimum Annual Fees for:

Carrying Firms and [Specialists] <u>DMMs</u>	\$500.00
Introducing Firms	\$250.00
Members and Firms not dealing with the public	\$45.00

^[a]reported in the FOCUS Report.

* * * * *

Rule 132B. Order Tracking Requirements

* * * * *

(f) The provisions of this Rule shall not apply to members effecting on the Floor proprietary transactions when they are acting in the capacity of a [specialist] DMM, a Registered Competitive Market Maker, or a Competitive Trader.

* * * * *

Rule 134. Differences and Omissions-Cleared Transactions

("QTs")

* * * * *

(c) Beginning at 12:01 PM on the first business day after the trade date (or earlier in the case of transactions effected for delivery on the business day following the day of the transaction), the clearing member organization's members that executed the uncomparing transactions shall begin to resolve such uncomparing transactions by comparing their records with the data displayed on the terminal by the contra-parties to the transactions.

(1) When the executing broker for the clearing member organization is a "\$2" broker or a [specialist] DMM, the clearing member organization shall notify the "\$2" broker or the [specialist] DMM of the uncomparing transaction by presenting him or her with a copy of the details of the transaction produced by the System. Such notification shall be made no later than 1:00 PM on the first business day after the trade date. The clearing member organization shall provide the "\$2" broker or the [specialist] DMM with copies of all relevant Floor Reports at the same time the uncomparing trade is presented.

(2) When a clearing member organization has an uncomparing transaction which it submitted to comparison (but did not execute) for a non-clearing member organization, it shall notify the non-clearing member organization of the uncomparing trade by presenting it with a copy of the details of the trade produced by the System.

Such notification shall be made no later than 1:00 PM on the first business day after the trade date. The member of the non-clearing member organization that executed the uncomparing transaction shall begin immediately to resolve the trade. If a "\$2" broker or a [specialist] DMM executed the transaction on behalf of the non-clearing member, he shall be provided with copies of all relevant Floor Reports at the same time the uncomparing trade is presented.

(d)

(i) No member shall be permitted to effect transactions on the Floor unless such member: (a) maintains an error account at a registered broker or dealer in his or her name, or in the name of his or her member organization; or (b) such member participates in an error account established for a group of members ("group error account"). A member shall maintain only one error account as referenced above for the resolution of errors.

(ii) Any transaction effected on the Floor which results in a member or member organization assuming or acquiring a position in a security as a result of an error and any transaction initiated on the Floor by a member to offset a transaction made in error shall be cleared in the member's or his or her member organization's error account or group error account unless the customer accepts the error transaction, or the [specialist] DMM in the security accepts the error transaction as a trade on "account of error". Any transaction initiated on the Floor by a member to offset a transaction made in error shall

be evidenced by a time stamped order ticket indicating that the transaction is to cover an error.

* * * * *

• • • *Supplementary Material:* -----

* * * * *

.30 If the customer does not accept the erroneous transaction and the order cannot be executed on its original terms or better in the then current market, the member must issue a report from the member's or his or her member organization's error account, or with the prior approval of the [specialist] DMM, from the [specialist's] DMM's account. Such report may be confirmed to the customer as an Exchange transaction provided there is a liquidation transaction on the Exchange in the error account.

* * * * *

(e)

(i) Clearing member organizations shall resolve all uncomparing transactions as either OK or DK no later than 6:00 PM on the first business day after the trade date by inserting the appropriate response next to each uncomparing transaction contained in the System's file; provided, however, that if the transaction is for delivery on the business day following the day of the transaction, it shall be resolved no later than 2:00 PM on such day.

(ii) In order that clearing member organizations can comply with the above requirement, "\$2" brokers, [specialists] DMMs and non-clearing members having uncomparing transactions presented to them must respond no later than 5:00 PM, except when a non-clearing member organization has re-transmitted an uncomparing trade to a "\$2" broker or a [specialist] DMM, the non-clearing member has until 5:30 PM to respond to its clearing member organization.

(iii) The time requirements set forth in Paragraphs (b), (c) and (e) may be changed from time to time as the Exchange may determine. However, the time for resolving transactions as either OK or DK set forth in Paragraph (e)(i) shall not be extended past the time that the System is available for use on any business day.

* * * * *

Rule 299A. Civil Defense Alarm Procedure

• • • *Supplementary Material:* -----

.10 In the event of a Civil Defense alarm in New York City the following procedure will be followed:

(a) If an alarm is in effect at the time the Exchange would normally be opened, the opening will be postponed until after the public all clear signal.

(b) If an alarm is given during the time the Exchange is open for business, the Floor sirens will be sounded, which shall automatically terminate all trading on the Floor. An appropriate notice will be published on the tape.

(1) The termination of trading under the circumstances shall have the same effect on bids and offers as a closing of the Exchange.

(2) Upon such termination of trading all open agreements to "stop" securities shall become effective. However, in the event that the alarm sounds after the opening of the Exchange, but prior to the time that a [specialist] DMM is able (A) to establish a definite quotation in a stock, or (B) to arrange the opening price, the provisions of this paragraph shall not apply to market orders which have been accepted by the [specialist] DMM before the opening of the Exchange for the purpose of arranging the opening. A [specialist] DMM who has established a quotation in a stock shall "stop out" such market orders left with [him] the DMM before the opening of the Exchange, regardless of whether [he] the DMM has had the opportunity of informing the member who left such order with him or her that it was "stopped" at a particular price.

* * * * *

Rule 301. Qualifications for Membership

* * * * *

[Specialist] DMM trading

(2) When an Exchange member is a [specialist] DMM, in a member organization, his or her ordinary trading business as a [specialist] DMM must be for the organization's account, or for the joint account in which his or her organization is permitted to participate under the provisions of Rule 94(b).

Rule 303. Limitation on Access to Floor

(a) **Members' badges.**—All members who execute orders on the Floor must be provided with an identification badge and must wear the same while on the Floor. Every member's

badge must contain his or her name and a number and the name of his or her member organization.

(b)Subletting spaces on Floor.—No member or member organization may, without specific permission of the Exchange, sublet to another member or member organization any telephone or [specialist] DMM space on the Floor.

* * * * *

Rule 304A. Member and Allied Member Examination Requirements

* * * * *

• • • *Supplementary Material:* -----

* * * * *

.60 A member who applies to register as an odd-lot dealer or broker, [specialist] DMM or registered trader is also required to pass an appropriate examination in these areas as prescribed by the Exchange. (See Paragraphs 2101.10, 2103.10, and 2111.)

* * * * *

Rule 350. Compensation or Gratuities to Employees of Others

* * * * *

(b) Compensation for services rendered of up to \$200 per person per year may be paid with the prior written consent of the employer to operations employees of other members or member organizations of the following types:

- (1)** A telephone clerk on the NYSE Floor who provides courtesy telephone relief to a member's clerk, or handles such a member's orders over the member's own wire.
- (2)** Employees who make out commission bills or prepare Exchange reports for members.
- (3)** A [specialist's] DMM's Floor clerk who maintains records for a [specialist] DMM other than his or her employer, or provides courtesy relief to another [specialist's] DMM's clerk.

* * * * *

Rule 411. Erroneous Reports

(a)

* * * * *

(6) a [specialist] DMM may accommodate the member and take the error into the [specialist's] DMM's error account, so long as the member documents the [specialist's] DMM's taking in the error, and documents the non-member understandings indicated in paragraph (2) above, the [specialist] DMM documents taking in the error to accommodate the member, and the member assumes any loss, with any profit going to the New York Stock Exchange Foundation.

* * * * *

Rule 414. Index and Currency Warrants

* * * * *

Position Limits and Reports

* * * * *

Reports of Index Warrant Positions

(vi)

* * * * *

(C) A member organization need not file the reports that subparagraph (c)(v)(A) requires in respect of positions in the accounts of [specialists] DMM or [specialist] DMM units for which such member organization clears, provided that such positions are reported pursuant to Supplementary Material .12 of Rule 104 [(Dealings by Specialists).] (Dealings and Responsibilities of DMMs).

* * * * *

Rule 440G. Transactions in Stocks and Warrants for the Accounts of Members, Allied Members and Member Organizations

• • • *Supplementary Material:* -----

Reports on Form 121

.10 Requirements for filing.—Any ROUND-LOT purchase or sale of stock (or certificates therefor) or warrant effected on the floor of the New York Stock Exchange for the accounts of:

- a) NYSE members;
- b) NYSE Allied members; or
- c) NYSE member organizations,

must be reported on Form 121 regardless of where the order originated or by whom it was executed.

Instructions.—

* * * * *

(9) Transactions are to be classified into one of the following three categories

(a) AS [SPECIALIST] DMMs. (Box 1) This includes transactions made, [WHILE RUNNING THE BOOK,] for the account of regular or relief [specialists] DMMs in the stocks or warrants in which they are registered as [specialists] DMMs, by them or by a partner or an officer of their organization or by a member with whom they have a joint account;

(b) ALL OTHER transactions initiated ON THE FLOOR, (Box 2) This includes all round-lot transactions reportable on Form 82A (by Registered Traders) and Form 82B (all other ON FLOOR transactions which are exempt from reporting daily on Form 82A). Included are all transactions (except "as [specialist] DMM") initiated by a member (either a registered trader or any other member) while on the trading floor, regardless of whether or not they were executed by the initiating member or where the initiating member happened to be at the time of the execution. Included are transactions for the accounts of [specialists] DMMs in the [stocks or warrants] securities in which they are registered as [specialists] DMMs, if made by the [specialist] DMM or his or her agent while they were NOT running the book. Also included are transactions for the accounts of [specialists] DMMs in stocks or warrants in which they are not registered as [specialists] DMMs;

* * * * *

Rule 460. [Specialists] DMMs Participating in Contests

(a) No member or his member organization or any other member, allied member, or approved person or officer or employee of the member organization shall participate in a proxy contest or a company if such member [specializes] is registered as a DMM in the stock of that company.

[Specialists] DMMs as Directors

(b) No member or his member organization or any other member, allied member, or approved person in such member organization or officer or employee of the member organization shall be a director of a company if such member [specializes] is registered as a DMM in the stock of that company.

• • • *Supplementary Material:* -----

.10 Control relationships—Business transactions—Finder's Fees.—

(a)(1) No [specialist] DMM or his or her member organization or any other member, allied member or approved person in such member organization or officer or employee thereof, individually or in the aggregate shall acquire directly or indirectly the beneficial ownership of more than 10% of the outstanding shares of any equity security in which the [specialist] DMM is registered.

(2) The prohibition in (a)(1) shall not apply if the security is:

- (i) a convertible or derivative security, American Depositary Receipt, Global Depositary Receipt, or similar instrument, the conversion of which into common stock of the issuer would not result in a position in the common stock exceeding the 10% threshold;
- (ii) an investment company unit or Trust Issued Receipt, the redemption of which would not result in a position, directly or indirectly, in any equity security in which the [specialist] DMM is registered exceeding the 10% threshold; or
- (iii) a security such as a currency warrant, that trades in relationship to the value of that underlying currency, or a security, such as an index warrant, that trades in relationship to the value of that underlying index.

(3) With respect to the securities specified in (a)(2)(iii), the [specialist] DMM must obtain the permission of the Exchange to exceed the 10% threshold, and may not in any event acquire directly or indirectly the beneficial ownership of more than 25% of the issue. This provision applies regardless of whether the beneficial ownership is acquired for investment, trading, or any other purpose.

(4) Whenever any or all of the persons described in (a)(1) above shall acquire, directly or indirectly, beneficial ownership of 5% or more of the outstanding shares of any such equity security, the [specialist] DMM or his or her organization shall promptly report this fact to the Market Surveillance Division of NYSE Regulation, Inc. Thereafter, any person described in (a)(1) above shall, at the request of the Market Surveillance Division of NYSE Regulation, Inc., promptly take appropriate action either to dispose of such beneficial ownership or reduce or eliminate his or her interest in the [specialist] DMM organization, as may be acceptable to the Exchange.

(b)

(1) No [specialist] DMM or his member organization or any other member, allied member or approved person in such member organization or officer or employee thereof shall engage in any business transaction (including loans, etc.) with any company in whose stock the [specialist] DMM is registered, or accept a finder's fee from such company, except as provided below

(2) Notwithstanding the provision in (b)(1) above, a [specialist] DMM registered in a security issued by an investment company may purchase and redeem the listed security, or securities that can be subdivided or converted into the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market in the subject security.

(3) The provisions of (b)(1) shall not apply to the receipt of routine business services, goods, materials, or insurance, on terms that would be generally available.

.11 Definition of an Investment Company Unit.—The term "Investment Company Unit" in paragraph .10 above shall be the same as that in Section 703.16 of the Listed Company Manual.

.12 Definition of a Trust Issued Receipt.—The term "Trust Issued Receipt" in paragraph .10 above shall be the same as that in Rule 1200.

.20

(a) The restrictions in paragraphs 460 (a) and 460.10 above shall apply to an approved person of a [specialist organization] DMM unit entitled to an exemption from this Rule pursuant to Rule 98 in the manner described below.

(1) The restriction on the acquisition of beneficial ownership of 10% or more of the outstanding shares of any equity security in which such [specialist] DMM is registered, as provided in Rule 460.10, shall apply to such approved person separate and distinct from the restriction as applied to any or all other persons specified in Rule 460.10, and

(2) the positions of the approved person shall not be aggregated with the positions of any one or more other persons specified in Rule 460.10. The same principle applies with respect to the reporting of positions specified in Rule 460.10.

(b) An approved person entitled to an exemption from this Rule may engage in business transactions with a company in whose stock an associated [specialist] DMM is registered, may accept a finder's fee from such company, and may act as an underwriter in any capacity for a distribution of securities issued by such company.

.25 The restrictions in paragraph .10 above relating to business transactions between a [specialist] DMM or his or her member organization or any other member, allied member or approved person in such member organization or officer or employee thereof shall not apply to Investment Company Units (as defined in paragraph 703.16 of the Exchange's Listed Company Manual), Trust Issued Receipts (defined in NYSE Rule 1200), and derivative instruments based on one or more securities, currencies or commodities (collectively referred to as Exchange-Traded Funds or "ETFs"), if the following conditions are met:

(i) the [specialist] DMM or his or her member organization or any other member, allied member or approved person in such member organization or officer or employee thereof only enters into the business transaction with the sponsor of the ETF and the sponsor is not involved in the day-to-day administration of the ETF; and

(ii) any fee or other compensation in connection with the business transaction paid to the [specialist] DMM or his or her member organization or any other member, allied member or approved person in such member organization or officer or employee thereof must not be dependent on the trading price or daily trading volume of the ETF; and

(iii) the [specialist] DMM or his or her member organization or any other member, allied member or approved person in such member organization or officer or employee thereof must notify and provide a full description to the Exchange of any business transaction or relationship, except those of a routine and generally available nature as described in paragraph .10 above, it may have with any sponsor of an ETF that he or she or [it] the member organization is registered as [specialist] DMM in.

.30

(a) An approved person associated with a [specialist] DMM member organization ("Affiliated [Specialist] DMM") that is entitled to an exemption from certain Exchange rules pursuant to Exchange Rule 98 shall notify the Exchange of its participation in any distribution or tender or exchange offer of any security covered by paragraph (b) of this rule, in such form and within such time frame as may be prescribed by the Exchange and shall provide the information required below:

1. name of security
2. symbol
3. type of security
4. symbol of reference security or securities (if different from security being distributed)
5. description of distribution or tender or exchange offer
6. distribution price or terms of tender or exchange offer

7. date of pricing
8. time of pricing
9. pricing basis (e.g., NYSE or Consolidated close)
10. beginning and ending dates of restricted period under Regulation M (if applicable) or, for a tender or exchange offer, the date the offer is publicly announced and its expiration date
11. firm submitting notification
12. name and title of individual submitting notification
13. telephone number
14. such other information as the Exchange may from time to time require

(b) The notification requirements of this rule are applicable to any security in which the Affiliated [**Specialist**] DMM is registered where such security is either:

(i) the subject of a tender or exchange offer (or any other security which is immediately convertible into or exchangeable for such security) for purposes of Rule 10b-13 under the Securities Exchange Act of 1934; or

(ii) a covered security as defined in Rule 100 of Regulation M.

.40 For purposes of this rule, "equity security" shall have the meaning set forth in Rule 13d-1(i) of the Exchange Act, 17 CFR 240.13d-1(i), "outstanding shares" shall have the meaning set forth in Rule 13d-1(j) of the Exchange Act, 17 CFR 240.13d-1(j), and "beneficial owner" shall have the meaning set forth in Rule 13d-3 of the Exchange Act, 17 CFR 240.13d-3, and all related interpretations thereof.

* * * * *

Rule 476. Disciplinary Proceedings Involving Charges Against Members, Member Organizations, Allied Members, Approved Persons, Employees, or Others

(a) If a member, member organization, allied member, approved person, registered or non-registered employee of a member or member organization or person otherwise subject to the jurisdiction of the Exchange is adjudged guilty in a proceeding under this Rule of any of the following offenses-

* * * * *

(11) refusing or failing to comply with a request of the Exchange to submit its books and records (including those books and records with respect to which such member, member organization, allied member, approved person, registered or non-registered employee or person otherwise subject to the jurisdiction of the Exchange has access and control) to the Exchange, any other self-regulatory organization, as defined in Section 3(a)(26) of the Securities Exchange Act of 1934, any contract market, as referenced in Section 6(a) of the Commodities Exchange Act, any registered futures association, as referenced in Section 17 of the Commodities Exchange Act, or any foreign self-regulatory organization or association with which the Exchange has entered into an agreement or to furnish information to or to appear or testify before the Exchange or such other organization or association, as specified above, or failing to take any of the foregoing actions on the date or within the time period that the Exchange requires; or if a member who is registered as a [specialist] DMM is adjudged guilty in a proceeding under this Rule of substantial or continued failure to engage in a course of dealings for the member's own account to assist in the maintenance, so far as practicable, of a fair and orderly market in any security in which the member is registered; then, in any such event, the Hearing Panel or, when authorized by this Rule, a Hearing Officer shall, in accordance with the procedures set forth in this Rule, impose one or more of the following disciplinary sanctions on such member, member organization, allied member, approved person, or registered or non-registered employee or person otherwise subject to the jurisdiction of the Exchange: expulsion; suspension; limitation as to activities, functions, and operations, including the suspension or cancellation of a registration in, or assignment of, one or more stocks; fine ⁶; censure; suspension or bar from being associated with any member or member organization; or any other fitting sanction.

* * * * *

Rule 476A. Imposition of Fines for Minor Violation(s) of Rules

* * * * *

• • • *Supplementary Material:* -----

List of Exchange Rule Violations and Fines

Applicable Thereto Pursuant to Rule 476A

* * * * *

[• Rule 79A.15 requirements for specialists' display of customer limit orders]

• Rule 91.10 requirements for a [specialist] DMM to summon a representative of a firm who had entrusted an order with the [specialist] DMM who has elected to take or supply for his or her account the securities named in the order to confirm the acceptance or rejection of such transaction.

* * * * *

• Rule 103.12 requirements to keep and provide records to the Exchange with respect to the time [specialists] DMMs and [specialist] DMM clerks are on the Floor of the Exchange acting in those capacities.

[• Participation in the Specialist Performance Evaluation Questionnaire (SPEQ) Process (Rule 103A)]

• Rule 104.10 (Functions of [Specialist] DMM)

• Rule 104.12 [Specialist] DMM investment account rule violations

• Rule 105 and Guidelines ([Specialist] DMM [Specialty Stock] Registered Security Option Transactions)

* * * * *

• Rule 116.30 requirement for [specialists'] DMM's stopping stock

* * * * *

• Failure to Time-Record Orders Received at the [Specialist's] DMM's Post (Rule 121) and Failure to Time-Record Orders received at a Member's Booth from off the Floor (Rule 123).

* * * * *

Rule 900. Off-Hours Trading: Applicability and Definitions

* * * * *

(b) Applicability of Other Exchange Rules

As modified by this Rule 900, all other Exchange Rules shall also so apply, except that the following shall *not* so apply:

(i) all provisions pertaining to ITS and trading through ITS in the incorporated Rules;

(ii) Rule 440B (Short Sales); and

(iii) Rule 45 (Application of Rules) through Rule 128B (Publications of Changes, Corrections, Cancellations or Omissions and Verification of Transactions), except that the following *shall* apply:

Dealings upon the Exchange

51 (Hours for Business)

52 (Dealings on the Exchange—Hours)

- 55 (Unit of Trading—Stocks and Bonds)
- 56 (Unit of Trading—Rights)

Auction Market—Bids and Offers

- 63 ("When Issued"—"When Distributed")
- 78 (Sell and Buy Orders Coupled at Same Price)

Members Dealing for Their Own Accounts

- 92 (Limitations on Members' Trading because of Customer's Orders) as provided in paragraph (d)(ii) of this Rule
- 93 (Trading for Joint Account) (paragraphs (a) and (c) only)
- 94 ([Specialists'] DMMs' or Odd-Lot Dealers' Interest in Joint Accounts)
- 98 ([Restrictions on Approved Person Associated with a Specialist's Member Organization] Operation of a Specialist Unit)
- 98A (Restrictions on Persons or Parties Affiliated with Specialist and Odd Lot Dealer Member Organization) (except for the second sentence of that Rule's first paragraph)

[Specialists] DMMs, Odd-Lot Brokers, and Registered Traders

- 104 Dealings and Responsibilities of DMM
- 104T (Dealings by [Specialists]) DMMs (paragraph (a) of Supplementary Material .13 only)
- 104A [(Specialists—General)] (DMM —General) (Supplementary Material .50 only)
- 105 ([Specialists'] DMM Interest in Pools and Options) as provided in paragraph (d)(v) of this Rule
- 118 (Orders To Be Reduced and Increased on Ex-Date) as provided in paragraph (d)(vi) of this Rule
- 121 (Records of [Specialists] DMM)
- 128B (Publications of Changes, Corrections, Cancellations or Omissions and Verification of Transactions)

* * * * *

(d) Interaction among Off-Hours Trading Rules and Floor Rules

(i) For the purpose of applying Supplementary Material .40 of Rule 36 (Communications between Exchange and Members' Offices) to Off-Hours Trading, the limit of time within which a member or member organization executing a transaction through the Off-Hours Trading Facility must report to the member or organization carrying the customer's account shall be 15 minutes after the close of the facility on the day of the transaction.

(ii) Rule 92 shall not preclude a member or member organization from entering in the Off-Hours Trading Facility an aggregate-price order to buy (sell) 15 or more securities coupled with an identical order to sell (buy) when the member or member organization holds an unexecuted closing-price order for a component security.

(iii) Notwithstanding the limitations on the [specialty security] transactions of a [specialist] DMM in securities in which the DMM is registered set forth in Supplementary Material .12 of Rule 104, a [specialist] DMM:

(A) may assign to an investment account any [specialty] security in which the DMM is registered acquired through the Off-Hours Trading Facility; and

(B) may purchase securities through the Off-Hours Trading Facility to cover a short position in his dealer account.

(iv) The limitations on the security (or, in the case of a [specialist] DMM, [specialty security]) transactions of a [specialist] DMM, Registered Competitive Market-Maker or Competitive Trader contained in Rule 104, Rule 107 (Registered Competitive Market-Makers) and Rule 112 (Competitive Traders), respectively, shall not apply to transactions effected through the Off-Hours Trading Facility. However, the member shall include in any calculation of his aggregate position in a security any position in the security that the member acquires through the Off-Hours Trading Facility.

(v) A [specialist] DMM shall not enter an order [for his specialty security] in securities in which the DMM is registered through the Off-Hours Trading Facility for any account in which [he or his] the DMM or the DMM's member organization has a direct or indirect interest if the execution of the order would create a position in the security that would require the [specialist] DMM to liquidate an options or single stock futures position pursuant to Rule 105 and its Guidelines.

(vi) For the purpose of applying Rule 118 to Off-Hours Trading, securities will not become quoted ex-dividend, ex-distribution, ex-rights or ex-interest on any day until after the close of Off-Hours Trading.

* * * * *

Rule 902. Off-Hours Trading Orders

(a) Entry of Orders

(i) Closing-Price Orders

Subject to Rule 906 (Impact of Trading Halts on Off-Hours Trading), a member or member organization may enter into the Off-Hours Trading Facility a closing-price order at such times as the Exchange may specify.

(ii) Closing-Price Coupled Orders

(A) Subject to Rule 906, a member or member organization may enter into the Off-Hours Trading Facility a closing-price order to buy coupled with a closing-price order to sell the same quantity of the same security for execution against each other. However, except for those orders defined in paragraph (ii)(B) and (C) of this rule, a member or member organization may not so enter such coupled orders if both such orders are for an account in which any member or member organization, or any "associated party" (as paragraph (b)(ii) of Rule 800 (Basket Trading: Applicability and Definitions) defines that term), has a direct or indirect interest.

(B) A member or member organization may enter a closing-price order to buy (sell) a security for the account of the [specialist] DMM registered in such security coupled with a closing price order to sell (buy) for the account of any member or member organization which has agreed to offset all or part of any market-on-close imbalance that existed in the stock prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session.

* * * * *

(b) Migration of Orders

Subject to Rule 906, a "regular way", good 'til cancelled order that is designated as Off-Hours eligible, that is on the [specialist's limit order book] Display Book[®] and that is executable at the closing price or better shall migrate from the [specialist's limit order book] Display Book[®] to the Off-Hours Trading Facility, except that any order for an account in which the [specialist] DMM, [his] the DMM unit [member organization] or any associated party has a direct or indirect interest shall not so migrate.

* * * * *

(e) Disposition of Unexecuted Orders

(i) All migrated good 'til cancelled orders that remain wholly or partially unexecuted at the close of a day's Off-Hours Trading shall migrate back to the [specialist's limit order book] Display Book[®] prior to the opening of trading on the next business day. They shall retain the same priority as existed prior to their migration to the Off-Hours Trading Facility.

* * * * *

Rule 903. Off-Hours Transactions

* * * * *

(d) Executions of Orders

(i) Except as provided in (d)(ii) below, single-sided and coupled closing-price orders entered into the Off-Hours Trading Facility and orders that migrate into the facility shall only be executed at the close of the Off-Hours Trading session. Coupled aggregate-price orders shall be executed upon entry.

(ii) A closing price order to buy (sell) a security for the account of the [specialist] DMM registered in such security and approved by a Floor Official, coupled with a closing price

order to sell (buy) for the account of any member, member organization or non-member which has agreed to offset all or part of any market-on-close imbalance that existed in the stock prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session, shall be executed upon entry.

Rule 904. Priority of Off-Hours Trading Orders

(a) Priority of Off-Hours Trading Orders to Buy Migrated Orders

(i) Good 'til cancelled orders to buy that have migrated to the Off-Hours Trading Facility from the [specialist's limit order book] Display Book[®] pursuant to paragraph (b) of Rule 902 (Off-Hours Trading Orders) shall retain the same priority among themselves as existed on the [specialist's book] Display Book[®] and shall have priority over all closing-price orders to buy entered pursuant to paragraph (a)(i) of Rule 902.

* * * * *

Rule 906. Impact of Trading Halts on Off-Hours Trading

* * * * *

(b) Corporate Developments during Off-Hours Trading Session

The Exchange may announce during the hours that the Exchange is open for Off-Hours Trading that, as the result of a corporate development, it has determined with respect to a security:

(i) to return unexecuted good 'til cancelled orders for the security to the [specialist's limit order book] Display Book[®] ;

(ii) to cancel closing-price orders for the security entered pursuant to paragraph (a)(i) or (a)(ii) of Rule 902; and

(iii) to preclude the entry of closing-price orders for the security pursuant to paragraphs (a)(i) and (a)(ii) of Rule 902 for the remainder of the session.

provided, however, that a closing price order to buy (sell) a security for the account of the [specialist] DMM registered in such security and approved by a Floor Official, coupled with a closing price order to sell (buy) for the account of any member, member organization or non-member which has agreed to offset all or part of any market-on-close imbalance that existed in the stock prior to the official closing of the 9:30 a.m. to 4:00 p.m. trading session, shall not be so canceled or precluded from entry.

* * * * *

Rule 1000. Automatic Executions [of Limit Orders Against Orders Reflected in NYSE Published Quotation]

The provisions of this rule relating to the Capital Commitment Schedule shall be in effect during a Pilot set to begin on October 15, 2008 and end on September 1, 2009.

Maximum Order Size for Automatic Executions

(a) Market and limit orders of such size as the Exchange may specify from time to time are eligible to initiate or participate in automatic executions. The Exchange shall provide for a phased-in raising of order size eligibility, from [1,099 shares up to a maximum of] 3,000,000 shares up to a maximum of 6,500,000 shares. Each raising of order size eligibility shall be preceded by advance notice to the Exchange's membership.

[(a) (b)] An automatically executing order shall receive an immediate, automatic execution against orders reflected in the Exchange published quotation, orders on the Display Book[®], Floor broker agency file interest ("e-Quotes"), Floor broker proprietary file interest ("G-quotes"), [specialist] DMM interest ("s-Quotes"), [and CAP-DI orders] and interest placed in the Exchange's systems by DMMs pursuant to a Capital Commitment Schedule in accordance with, and to the extent provided by Exchange rules and shall be immediately reported as Exchange transactions, unless:

- (i)** the Exchange published quotation is in the non-firm quote mode;
- (ii)** trading in the subject security has been halted;
- (iii)** the [specialist] DMM has gapped the quotation in accordance with the policies and procedures of the Exchange;
- (iv)** a liquidity replenishment point has been reached.

A. Liquidity replenishment Points ("LRPs") will be calculated automatically throughout the trading day as follows:

- (1)** when a stock opens on a quote; and
- (2)** upon the first sale of the relevant security on the Exchange for that trading day; and
- (3)** every thirty (30) seconds, or at such other specified intervals as the Exchange shall determine from time to time; and
- (4)** after a manual trade by the [specialist] DMM; and
- (5)** when automatic executions resume after a LRP is reached; and
- (6)** upon a sale after automatic executions resume after a LRP has been reached.

B. LRPs are calculated by adding and subtracting a value, which shall be determined by the Exchange, to the last sale price on the Exchange in the relevant security, except that

(1) When a stock opens on a quote the LRPs will be calculated immediately using the opening quote by taking the offer and adding the LRP value (High LRP = offer + LRP value) and taking the bid and subtracting the LRP value (Low LRP = bid - LRP value). These LRPs will remain in effect until the first sale of the security on the Exchange, at which time the LRPs will be immediately recalculated based upon that sale price.

(2) Upon resumption of Auto Execution after it was suspended due to quoting beyond one (or both) of the LRPs (the "slow" side), the LRP will be recalculated on the "slow" side using the last published quote for that side by taking either the offer (or the bid) and adding (or subtracting) the LRP value. Only the "slow" side LRP will be recalculated. This LRP will not be recalculated until a manual trade is entered, there is a new sale of the security on the Exchange, or the stock becomes "slow" again and the [specialist] DMM again resumes Auto Execution. When a manual trade is entered or there is a new sale, both LRPs will be immediately recalculated based on the last sale price.

C. The values used to calculate the LRPs will not change intraday. The LRP values will be disseminated by the Exchange.

LRPs value ranges are as follows:

Price per share	\$5 -	\$10 -	\$25 -	\$50 -	\$100 -	\$150 -	\$200 -	\$250 -
It \$	9.99	24.99	49.99	99.99	149.99	199.99	249.99	1000.00

ADV

It 500,000 shares	0.05	0.05	0.10	0.15	0.35	0.60	1.00	1.00	1.00
	0.10	0.10	0.25	0.35	0.75	1.25	2.00	2.00	2.00

500,000 - 3,999,999	0.05	0.05	0.10	0.10	0.25	0.50	1.00	1.00	1.00
	0.10	0.10	0.20	0.25	0.50	1.00	2.00	2.00	2.00

ge	0.05	0.05	0.10	0.10	0.25	0.50	1.00	1.00	1.00
4,000,000									
shares	0.10	0.10	0.20	0.25	0.50	1.00	2.00	2.00	2.00

D. Upon the first sale on the Exchange for that trading day, the recalculation timer will start and will continue to run throughout the trading day.

(v) a block-size transaction as defined in Rule 127.10 that involves orders on the Display Book[®] is being reported manually; Automatic executions will resume when manual reporting is concluded; or

(vi) the closing price for a security, or if the security did not trade, the closing bid price of the security on the Exchange on the immediate previous trading day is \$1000.00 or more.

(b) Automatic executions will resume in the same way autoquoting will resume, as provided in Rules 60(e)(ii)(A), (B), and (C).

(c) Automatic executions will be available on only one side of the market when the Exchange published bid or offer is such that it is outside a LRP.

(d) Capital Commitment Schedule

(i) For each security in which it is registered, a DMM unit may place within Exchange systems a pool of liquidity to be available to fill incoming orders in automatic executions and to be known as a “Capital Commitment Schedule” (“CCS”). The CCS is the DMM unit’s commitment to trade a specified number of shares at specified price points in reaction to incoming contra side interest received through Exchange systems. CCS interest shall be used to trade at the Exchange BBO, at prices better than the Exchange BBO and at prices outside the Exchange BBO. CCS interest shall supplement displayed and non-displayed interest of the DMM on the Display Book[®].

(ii) CCS interest must be for a minimum of one round lot of a security and be entered at price points that are at, inside or away from the Exchange BBO.

[(d)] (e)

(i) Automatically executing orders to buy shall trade with the Exchange published best offer. Automatically executing orders to sell shall trade with the Exchange published best bid. All displayed interest at the Exchange BBO shall be allocated in accordance with Exchange Rule 72.

(ii) Where the volume associated with the Exchange published best bid (offer) is insufficient to fill an automatically executing order in its entirety, other than an incoming commitment to trade received through ITS, the unfilled balance of such order (the "residual") shall trade with available contra-side interest in the following order:

(A) reserve interest at the Exchange published best bid (offer);

(B) [additional specialist] DMM unit CCS interest [volume] at the Exchange published best bid (offer). Any CCS interest eligible to participate in the execution at the Exchange BBO shall yield to all other interest at that price; and

(C) if a residual remains, it shall then "sweep" the Display Book[®] system as set forth in (iii) below, until it is executed in full, its limit price, if any, is reached, a liquidity replenishment point is reached, or in the case of a Reg. NMS-compliant IOC order, as described in Rule 13, trading at a particular price on the Exchange would require cancellation because the order cannot be routed to another market center, whichever occurs first.

[(D) Elected CAP-DI orders will participate in automatic executions as described in Rule 123A.30.]

(E) After trading with the volume associated with the Exchange published best bid (offer), the unfilled balance of any incoming commitment to trade received through ITS shall be automatically cancelled, as described in Rule 13 (definition of immediate or cancel order).

(iii) Automatic Execution of Orders in Executions Outside the Exchange BBO ("Sweeps")

(A) During a sweep (i.e., a trade that takes place at prices outside the Exchange BBO), the residual shall trade with the orders on the Display Book[®] system and any broker agency interest files ("e-Quotes"), broker proprietary interest files ("G-Quotes") and/or [specialist] DMM interest files ("s-Quotes") capable of execution in accordance with Exchange rules, at each successive price lower than the displayed bid (in the case of a sweeping sell order) or higher than the displayed offer (in the case of a sweeping buy order) as long as the sweep continues.

(1) If the contra side order is not executed in full at the Exchange BBO, Exchange systems will then calculate the unfilled volume of the contra side order and review the additional displayed and non-displayed interest available in the Display Book[®] system including the CCS interest submitted by the DMM unit and any protected bids or offers on markets other than the Exchange

(“away interest”) to determine the price at which the remaining volume of the contra side order can be executed in full. This is the “completion price”.

(2) Exchange systems will then identify the next price that is one minimum price variation (“MPV”) (as that term is defined in Exchange Rule 62) or more inside the completion price (i.e., for an incoming contra side order to buy, one MPV lower, and for an incoming contra side order to sell, one MPV higher) at which the maximum volume of CCS interest exists to trade with the residual volume of the contra side order. This is the “better price” for CCS interest. The residual amount of the contra side order will be executed at the better price against the displayed, non-displayed and CCS interest, with CCS interest yielding to any other interest in Exchange systems at the better price.

(3) Any remaining volume of the contra side order that is unfilled following the trade with the CCS interest will trade against displayable and non-displayable interest pursuant to Exchange Rule 72 governing parity, but not CCS interest, at the price point at which the contra side order will be completed.

(4) CCS interest may only participate once in the execution of a contra side order during a sweep.

(B) Where a bid or offer protected from a trade-through by Securities and Exchange Commission rule or ITS Plan published by another ITS participating market center is better than an execution price during a sweep, the portion of the sweeping residual that satisfies the size of such better priced protected bid or offer (“away interest”) will be automatically routed as a commitment to trade to the ITS participating market center publishing such better bid or offer except with respect to Reg. NMS-compliant IOC orders, as described in Rule 13. Such commitments to trade to satisfy away interest will be transmitted only after CCS interest has participated in an execution on the Exchange pursuant to the procedures contained in section (d)(iii) of this Rule.

(C) During a sweep, sell short orders, must comply with the conditions outlined in Exchange Rule 440B.

(iv) Any residual of an auto ex limit order remaining after the sweep described in (d)(ii) and (d) (iii) above shall be displayed as a limit order on the Display Book[®] and will be bid (offered) at the order's limit price, if any, or the LRP whichever is lower (higher).

(A) Exceptions:

Residuals will be cancelled in the manner described in Rule 13 for the following order types:

(i) Reg. NMS-compliant Immediate or Cancel orders;

(ii) NYSE Immediate or Cancel orders; and

(iii) Intermarket sweep orders.

Auto ex orders that cannot be immediately executed shall be displayed as limit orders in the auction market.

(f) Price Improvement Offered by CCS Interest

(1) CCS interest may trade inside the Exchange BBO with interest arriving in the Exchange market that:

- (A) Will be eligible to trade at or through the Exchange BBO; or
- (B) Will be eligible to trade at the price of interest in Exchange systems representing non displayable reserve interest of Reserve Orders and Floor broker agency interest files reserve interest (“hidden interest”); or
- (C) Will be eligible to route to away market interest for execution

if the total volume of CCS interest, plus d-Quote interest in Floor broker agency interest files, plus any interest represented by hidden interest would be sufficient to fully complete the arriving interest at a price inside the Exchange BBO.

(2) In such an instance, the Display Book[®] system will determine the price point inside the Exchange BBO at which the maximum volume of CCS interest will trade, taking into account the volume, if any, available from d-Quotes and hidden interest. The arriving interest will then be executed at that price, with all interest (CCS, d-Quote, hidden interest) trading on parity.

(g) CCS Trades With Non-Marketable Interest

(1) For purposes of this section, the term “non-marketable” means trading interest (i.e. displayable and non-displayable) that is at a price higher than the current Exchange bid (but below the current Exchange offer) or lower than the current Exchange offer (but above the current Exchange bid) including better bids and offers on other market centers.

(2) CCS interest may trade with non-marketable interest where such non-marketable interest will better the Exchange BBO (or will cancel in the case of an arriving IOC order) if the incoming interest may be executed in full by all interest available in the Display Book[®] including CCS interest and d-quotes. Such trade will take place at the limit price of the arriving non-marketable interest. All interest trading with the incoming interest will trade on parity.

* * * * *

Rule 1001. Execution of Automatically Executing Orders

(a) Subject to Rule 1000, automatically executing orders shall be executed and immediately reported. The contra side of the execution shall be as follows:

(i) [the first contra side bid or offer at a particular price shall be entitled to time priority, but after a trade or cancellation clears the Floor, all bids and offers at such price shall be on parity with each other, except specialist bids and offers must yield to bids and offers on the Display Book[®] as Exchange rules require] When a bid or offer is established as the first made at a particular price and such bid or offer is the only interest when such price is or becomes the Exchange BBO (the “setting interest”), such setting interest shall be entitled to priority for allocation of executions at that price as described in Rule 72 ;

(ii) all bids or offers [on parity] shall receive a split of executions in accordance with Exchange Rule 72;

(iii) the assignment of the number of shares to each contra side bidder and offer or as appropriate, in accordance with Exchange Rule 72, with respect to each automatic execution shall be done automatically by the Display Book[®] system;

[(iv) the specialist shall be the contra party to any automatic execution where interest reflected in the published quotation against which the automatically executing order was executed is no longer available.]

(b) No published bid or offer shall be entitled to claim precedence based on size with respect to executions against automatically executing orders.

* * * * *

Rule 1300. streetTRACKS[®] Gold Shares

(a) The provisions of this Rule 1300 series apply only to streetTRACKS[®] Gold Shares, which represent units of fractional undivided beneficial interest in and ownership of the streetTRACKS[®] Gold Trust. While streetTRACKS[®] Gold Shares are not technically Investment Company Units and thus are not covered by Rule 1100, all other rules that reference "Investment Company Units," as defined and used in paragraph 703.16 of the Listed Company Manual, including, but not limited to Rules 13, 36.30, 98, 104, 460.10, and 1002 shall also apply to streetTRACKS[®] Gold Shares. When these rules reference Investment Company Units, the word "index" (or derivatives or similar words) will be deemed to be "gold spot price" and the word "security" (or derivative or similar words) will be deemed to be "streetTRACKS[®] Gold Trust".

(b) As is the case with Investment Company Units, paragraph (m) of the Guidelines to Rule 105 shall also apply to streetTRACKS[®] Gold Shares. Specifically, Rule 105(m) shall be deemed to prohibit an equity [specialist] DMM, [his] the DMM unit [member organization], other member, allied member or approved person in such member organization or officer or employee thereof from acting as a market maker or functioning in any capacity involving market-making responsibilities in physical gold, gold futures or options on gold futures, or any other gold derivatives. However, an approved person of an equity [specialist] DMM entitled to an exemption from Rule 105(m) under Rule 98 may act in a market making capacity, other than as a specialist in the streetTRACKS[®] Gold

Shares on another market center, in physical gold, gold futures or options on gold futures, or any other gold derivatives.

* * * * *

Rule 1300A. Currency Trust Shares

(a) The provisions of this Rule 1300A series apply only to Currency Trust Shares. The term "Currency Trust Shares" as used in this Rule and in Rule 1301A means a security that (a) is issued by a trust ("Trust") which holds a specified non-U.S. currency deposited with the Trust; (b) when aggregated in some specified minimum number may be surrendered to the Trust by the beneficial owner to receive the specified non-U.S. currency; and (c) pays beneficial owners interest and other distributions on the deposited non-U.S. currency, if any, declared and paid by the Trust. While Currency Trust Shares are not technically Investment Company Units and thus are not covered by Rule 1100, all other rules that reference "Investment Company Units," as defined and used in Para. 703.16 of the Listed Company Manual, including, but not limited to Rules 13, 36.30, 98, 104, 460.10, 1002, and 1005 shall also apply to Currency Trust Shares. When these rules reference Investment Company Units, the word "index" (or derivative or similar words) will be deemed to be the applicable non-U.S. currency spot price and the word "security" (or derivative or similar words) will be deemed to be "Currency Trust Shares". The term "applicable non-U.S. currency" as used in Rule 1300A and 1301A means the currency that is held by the trust for a particular issue of Currency Trust Shares.

(b) As is the case with Investment Company Units, paragraph (m) of the Guidelines to Rule 105 shall also apply to Currency Trust Shares. Specifically, Rule 105(m) shall be deemed to prohibit an equity [specialist] DMM, [his] the DMM unit [member organization], other member, allied member or approved person in such member organization or officer or employee thereof from acting as a market maker or functioning in any capacity involving market-making responsibilities in the applicable non-U.S. currency, options, futures or options on futures on such currency, or any other derivatives based on such currency. However, an approved person of an equity [specialist] DMM entitled to an exemption from Rule 105(m) under Rule 98 may act in a market making capacity, other than as a specialist in the same issue of Currency Trust Shares in another market center, options, futures or options on futures on the applicable non-U.S. currency, or any other derivatives based on such currency.

(c) Except to the extent that specific provisions in this Rule govern, or unless the context otherwise requires, the provisions of the Constitution, all other Exchange Rules and policies shall be applicable to the trading of Currency Trust Shares on the Exchange. Pursuant to Exchange Rule 3 ("Security"), Currency Trust Shares are included within the definition of "security" or "securities" as those terms are used in the Constitution and Rules of the Exchange.

Rule 1300B. Commodity Trust Shares

(a) The provisions of this Rule 1300B series apply only to Commodity Trust Shares. The term "Commodity Trust Shares" as used in this Rule and in Rule 1301B means a security that (a) is issued by a trust ("Trust") which (i) is a commodity pool that is managed by a commodity pool operator registered as such with the Commodity Futures Trading Commission, and (ii) which holds positions in futures contracts on a specified commodity index, or interests in a commodity pool which, in turn, holds such positions; (b) when aggregated in some specified minimum number may be surrendered to the Trust by the beneficial owner to receive positions in futures contracts on a specified index and cash or short term securities. The term "futures contract" is commonly known as a "contract of sale of a commodity for future delivery" set forth in Section 2(a) of the Commodity Exchange Act. While Commodity Trust Shares are not technically Investment Company Units and thus are not covered by Rule 1100, all other rules that reference "Investment Company Units," as defined and used in Para. 703.16 of the Listed Company Manual, including, but not limited to Rules 13, 36.30, 98, 104, 460.10, 1002, and 1005 shall also apply to Commodity Trust Shares. When these rules reference Investment Company Units, the word "index" (or derivative or similar words) will be deemed to be the applicable commodity index and the word "security" (or derivative or similar words) will be deemed to be "Commodity Trust Shares".

(b) As is the case with Investment Company Units, paragraph (m) of the Guidelines to Rule 105 shall also apply to Commodity Trust Shares. Specifically, Rule 105(m) shall be deemed to prohibit an equity [specialist] DMM, [his] the DMM unit [member organization], other member, allied member or approved person in such member organization or officer or employee thereof from acting as a market maker or functioning in any capacity involving market-making responsibilities in the physical commodities included in, or options, futures or options on futures on, the index underlying an issue of Commodity Trust Shares, or any other derivatives based on such index or based on any commodity included in such index. However, an approved person of an equity [specialist] DMM entitled to an exemption from Rule 105(m) under Rule 98 may act in a market making capacity, other than as a specialist in the same issue of Commodity Trust Shares in another market center, in physical commodities included in, or options, futures or options on futures on, the index underlying an issue of Commodity Trust Shares, or any other derivatives based on such index or based on any commodity included in such index.

(c) Except to the extent that specific provisions in this Rule govern, or unless the context otherwise requires, the provisions of all Exchange Rules and policies shall be applicable to the trading of Commodity Trust Shares on the Exchange. Pursuant to Exchange Rule 3 ("Security"), Commodity Trust Shares are included within the definition of "security" or "securities" as those terms are used in the rules of the Exchange.

Rule 1301. streetTRACKS® Gold Shares: Securities Accounts and Orders of [Specialists] DMMs

(a) The member organization acting as [specialist] DMM in streetTRACKS® Gold Shares is obligated to conduct all trading in the Shares in its [specialist] DMM account, subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange. (See Rules 104.12 and 104.13.) In addition, the member organization acting as [specialist] DMM in streetTRACKS® Gold Shares must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading physical gold, gold futures or options on gold futures, or any other gold derivatives, which the member organization acting as [specialist] DMM may have or over which it may exercise investment discretion. No member organization acting as [specialist] DMM in streetTRACKS® Gold Shares shall trade in physical gold, gold futures or options on gold futures, or any other gold derivatives, in an account in which a member organization acting as [specialist] DMM, 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 hereby.

(b) In addition to the existing obligations under Exchange rules regarding the production of books and records (see, e.g., Rule 476(a)(11)), the member organization acting as [specialist] DMM in streetTRACKS® Gold Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or any member, allied member, approved person, registered or non-registered employee affiliated with such entity for its or their own accounts in physical gold, gold futures or options on gold futures, or any other gold derivatives, as may be requested by the Exchange.

(c) In connection with trading physical gold, gold futures or options on gold futures or any other gold derivative (including streetTRACKS® Gold Shares), the [specialist] DMM registered as such in streetTRACKS® Gold Shares shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in physical gold, gold futures or options on gold futures, or any other gold derivatives.

Rule 1301A. Currency Trust Shares: Securities Accounts and Orders of [Specialists] DMMs

(a) The member organization acting as [specialist] DMM in Currency Trust Shares is obligated to conduct all trading in the Shares in its [specialist] DMM account, subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange. (See Rules 104.12 and 104.13.) In addition, the member organization acting as [specialist] DMM in Currency Trust Shares must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading in the applicable non-U.S. currency options, futures or options on futures on such currency, or any other derivatives based on such currency, which the member organization acting as [specialist] DMM may have or over which it may exercise investment discretion. No member organization acting as [specialist] DMM in Currency Trust Shares shall trade in the applicable non-U.S. currency, options, futures or options on futures on such currency, or any other derivatives based on such currency, in an

account in which a member organization acting as [specialist] DMM, 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 hereby.

(b) In addition to the existing obligations under Exchange rules regarding the production of books and records (see, e.g., Rule 476(a)(11)), the member organization acting as [specialist] DMM in Currency Trust Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or any member, allied member, approved person, registered or non-registered employee affiliated with such entity for its or their own accounts in the applicable non-U.S. currency options, futures or options on futures on such currency, or any other derivatives on such currency, as may be requested by the Exchange.

(c) In connection with trading the applicable non-U.S. currency, options, futures or options on futures on such currency or any other derivative on such currency (including Currency Trust Shares), the [specialist] DMM registered as such in an issue of Currency Trust Shares shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in the applicable non-U.S. currency, options, futures or options on futures of such currency, or any other derivatives on such currency.

Rule 1301B. Commodity Trust Shares: Securities Accounts and Orders of [Specialists] DMM

(a) The member organization acting as [specialist] DMM in Commodity Trust Shares is obligated to conduct all trading in the Shares in its [specialist] DMM account, subject only to the ability to have one or more investment accounts, all of which must be reported to the Exchange. (See Rules 104.12 and 104.13.) In addition, the member organization acting as [specialist] DMM in Commodity Trust Shares must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading in the physical commodities included in, or options, futures or options on futures on, an index underlying an issue of Commodity Trust Shares in which the member organization acts as [specialist] DMM, or any other derivatives based on such index or based on any commodity included in such index, which the member organization acting as [specialist] DMM may have or over which it may exercise investment discretion. No member organization acting as [specialist] DMM in Commodity Trust Shares shall trade in physical commodities included in, or options, futures or options on futures on, an index underlying an issue of Commodity Trust Shares in which the member organization acts as [specialist] DMM, or any other derivatives based on such index or based on any commodity included in such index, in an account in which a member organization acting as [specialist] DMM, 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 hereby.

(b) In addition to the existing obligations under Exchange rules regarding the production of books and records (see, e.g., Rule 476(a)(11)), the member organization acting as [specialist] DMM in Commodity Trust Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or any member, allied member, approved person, registered or non-registered employee affiliated with such entity for its or their own accounts in options, futures or options on futures on, an index underlying an issue of Commodity Trust Shares in which the member organization acts as [specialist] DMM; or in any commodity included in such index; or in any other derivatives based on such index or based on any commodity included in such index, as may be requested by the Exchange.

(c) In connection with trading any physical commodity included in, or options, futures or options on futures on, an index underlying an issue of Commodity Trust Shares in which the member organization acts as [specialist] DMM, or any other derivatives based on such index (including Commodity Trust Shares) or based on any commodity included in such index, the [specialist] DMM registered as such in an issue of Commodity Trust Shares shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in the options, futures or options on futures on an index underlying an issue of Commodity Trust Shares in which the member organization acts as [specialist] DMM; or in any other derivatives on such index; or in any commodity included in such index or any derivatives on such commodity.

• • • *Supplementary Material:* -----

.10 The provisions of Rule 1300B (b) and Rule 1301B shall apply to securities listed on the Exchange pursuant to Section 703.19 ("Other Securities") of the Listed Company Manual where the price of such securities is based in whole or part on the price of (a) a commodity or commodities, (b) any futures contracts or other derivatives based on a commodity or commodities; or (c) any index based on either (a) or (b) above.

* * * * *

Rule 1500. NYSE MatchPointSM

* * * * *

(g) Member Organization and Non-Member Access to NYSE MatchPoint

* * * * *

(4) Limitations on the Use of MatchPoint

(A) [Specialists] DMMs on the Floor of the Exchange are not authorized to access MatchPoint. Off-Floor operations of [specialist] DMM units [firms] may obtain authorized access to MatchPoint provided they have policies, procedures and barriers in

place that preclude improper information sharing between the [specialist] DMM unit [firm] and the [firm's specialist] unit's DMM on the Floor of the Exchange.