

Addition: Underlined
 Deletions: [Bracketed]

Rules of NYSE MKT LLC

Rule 900.2NY. Definitions

(18A) *Professional Customer*. The term “Professional Customer” means individual or organization that (i) is not a Broker/Dealer in securities, and (ii) places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). A Professional Customer will be treated in the same manner as a Broker/Dealer (or non-Customer) in securities for the purposes of Rule 900.3NY(j)(Facilitation Order), 904G(f) (FLEX Trading Procedures and Principles - Crossing Limitations), 934NY(Crossing), 934.1NY (Facilitation Cross Transactions), 934.2NY(At-Risk Cross Transactions), 934.3NY(Solicitation), 963NY(Priority and Order Allocation Procedures - Open Outcry), [963.1NY (Complex Order Transactions),] 964NY (Display, Priority and Order Allocation - Trading Systems), 964.2NY(b)(1)(iii)(Participation Entitlement of Specialists and e-Specialists), 964.2NY(b)(3)(B)(Allocation Of Participation Entitlement Amongst Specialist Pool), Rule 971.1NY (Electronic Cross Transactions), 975NY(b)(1) (Obvious Errors and Catastrophic Errors), 980NY(b) (Electronic Complex Order Trading), Rule 995NY(b)(Prohibited Conduct - Limit Orders) and the Exchange’s schedule of fees.

Rule 935NY. Order Exposure Requirements

With respect to orders routed to the System, Users may not execute as principal orders they represent as agent unless (i) agency orders are first exposed on the Exchange for at least one (1) second or (ii) the User has been bidding or offering on the Exchange for at least one (1) second prior to receiving an agency order that is executable against such bid or offer[.] or (iii) the User utilizes the Customer Best Execution Auction (“CUBE Auction”) pursuant to Rule 971.1NY.

Commentary: No Change

Rule 971.1NY. Electronic Cross Transactions

(a) An ATP Holder (“Initiating Participant”) may electronically submit for execution into the Customer Best Execution Auction (“CUBE Auction” or “Auction”) a limit order it represents as agent on behalf of a public customer, broker dealer, or any other entity (“CUBE Order”) provided that the Initiating Participant guarantees the execution of the CUBE Order by submitting a contra-side order (“Contra Order”) representing principal interest or interest it has solicited to trade with the CUBE Order at a specified price (“stop price”) or by utilizing auto-match or auto-match limit features as described in paragraphs (c)(1)(B) and (c)(1)(C) of this Rule. The stop price and any use of auto-match or auto-match limit are not displayed. An Auction begins with an “initiating price,” which for a CUBE Order to buy (sell) shall be the lower (higher) of the CUBE Order’s limit price or the National Best Offer (“NBO”) (National Best Bid (“NBB”)), except as provided for in paragraph (b)(1)(B) of this Rule. At the conclusion of the Auction, the CUBE Order may execute at multiple prices within a permissible range, as specified in paragraph (b)(1) of this Rule.

(b) CUBE Auction Eligibility Requirements. All options traded on the Exchange are eligible for the CUBE Auction. For purposes of determining whether a CUBE Order is eligible to initiate an Auction, references to the National Best Bid or Offer (“NBBO”) or Exchange Best Bid or Offer (“BBO”) refer to the quoted market at the time the Auction is initiated. The time at which the Auction is initiated shall also be considered the time of execution for the CUBE Order and the execution of orders in the Auction shall qualify as exceptions to Trade-Through Liability, pursuant to Rule 991NY(b)(5) and (9). An Initiating Participant may initiate a CUBE Auction provided all of the following are met:

- (1) Range of Permissible Executions. A CUBE Order to buy (sell) may execute at prices equal to or between the initiating price as the upper (lower) bound and the NBB (NBO) as the lower (upper) bound, provided that:
- (A) If the CUBE Order to buy (sell) is for 50 contracts or more and there is Customer interest in the Consolidated Book at the Exchange Best Bid (“BB”) (Exchange Best Offer (“BO”)), the lower (upper) bound of executions shall be the higher (lower) of the BB plus one cent (BO minus one cent) or the NBB (NBO).
 - (B) If the CUBE Order to buy (sell) is for fewer than 50 contracts, the initiating price shall be the lower (higher) of the CUBE Order’s limit price, the NBO (NBB), or the BO minus one cent (BB plus one cent) and the lower (upper) bound of executions shall be the higher (lower) of the NBB (NBO) or the BB plus one cent (BO minus one cent).
 - (C) If the BBO on the same side as the CUBE Order updates during the Auction, the range of permissible executions will adjust in accordance with the updated BBO, unless the Auction concludes early pursuant to paragraph (c)(4)(D) of this Rule.

- (D) If at the time the Auction is initiated, there is a Marketable Order to sell (buy) that has been displayed pursuant to Rule 967NY(a)(4)(A), the displayed price of the collared order minus (plus) one Trading Collar shall be considered the BO (BB) when determining the range of permissible executions.
- (2) CUBE Orders to buy (sell) with a limit price below (above) the lower (upper) bound of executions specified in paragraph (b)(1) of this Rule are not eligible to initiate an Auction and shall be rejected along with the Contra Order.
- (3) CUBE Orders, once accepted, will never execute outside the range of permissible executions and will never trade through their own limit price or the price of an unrelated quote or order.
- (4) CUBE Orders submitted before the opening of trading are not eligible to initiate an Auction and shall be rejected, along with the Contra Order.
- (5) CUBE Orders submitted during the final second of the trading session in the affected series are not eligible to initiate an Auction and shall be rejected, along with the Contra Order.
- (6) CUBE Orders for fewer than 50 contracts that are submitted when the BBO is \$0.01 wide will be rejected.
- (7) CUBE Orders may be entered in \$.01 increments regardless of the MPV of the series involved. Contra Orders may be priced in one cent increments when specifying the stop price or the auto-match limit price (as described in paragraphs (c)(1)(A) and (c)(1)(C) of this Rule).
- (8) The minimum size requirement for a CUBE Order is one contract.
- (9) If the NBBO is crossed when a CUBE Order is submitted, it will be rejected.
- (c) Auction Process. Only one Auction may be conducted at a time in any given series. Once commenced, the CUBE Order may not be cancelled or modified, and shall proceed as follows:
- (1) Initiation of Auction. To initiate the CUBE Auction, the Initiating Participant must mark the CUBE Order for Auction processing, and specify one of the following means of guaranteeing the execution of the CUBE Order:
- (A) A single stop price. For a CUBE Order to buy (sell), an Initiating Participant may specify a single stop price that is at or below (above) the initiating price of the Auction. A stop price specified for a CUBE Order to buy (sell) that is below (above) the lower (upper) bound of the range of permissible executions will be repriced to the lower (upper) bound. A stop price specified for a CUBE Order to buy (sell) that is above (below) the initiating price is not eligible to

initiate an Auction and both the CUBE Order and the Contra Order shall be rejected; or

(B) Auto-match. For a CUBE Order to buy (sell), the Initiating Participant will automatically match as principal or as agent on behalf of a Contra Order the price and size of all RFR Responses that are lower (higher) than the initiating price and within the range of permissible executions; or

(C) Auto-match limit. For a CUBE Order to buy (sell), the Initiating Participant will automatically match as principal or as agent on behalf of a Contra Order the price and size of all responses to the CUBE Auction Request for Responses (as described in paragraph (c)(2) of this Rule) that are lower (higher) than the initiating price down (up) to a specified limit price (the “auto-match limit price”).

(2) CUBE Auction Request for Responses (“RFR”) and Response Time Interval

(A) Upon receipt of a CUBE Order, the Exchange shall send an RFR to all ATP Holders who subscribe to receive RFR messages. The RFR shall identify the series, the side and size of the CUBE Order, and the initiating price.

(B) The “Response Time Interval” means the period of time during which responses to the RFR may be entered, which will last for a random period of time between 500 and 750 milliseconds.

(C) Any ATP Holder may respond to the RFR, provided such response is properly marked specifying price, size and side of the market (“RFR Response”). The Auction shall accept RFR Responses as follows:

(i) GTX Order – A GTX Order is a non-routable order with a time-in-force contingency for the Response Time Interval and must specify price, size and side of the market.

(a) GTX Orders shall not be displayed on the Consolidated Book or disseminated to any participants. A GTX Order that is not fully executed as provided for in paragraphs (c)(4) and (5) of this Rule shall be cancelled at the conclusion of the Auction.

(b) The minimum price increment for GTX Orders shall be one cent, regardless of the MPV for the series involved in the Auction.

(c) GTX Orders with a size greater than the size of the CUBE Order will be capped at the size of the CUBE Order.

(d) GTX Orders may be cancelled.

(e) GTX Orders on the same side of the market as the CUBE Order shall be rejected.

(f) For a CUBE Order to buy (sell), GTX Orders priced below (above) the lower (upper) bound of executions shall be repriced to the lower (upper) bound of executions, as specified in paragraph (b)(1) of this Rule.

(ii) Unrelated quotes and orders – Quotes and orders on the opposite side of the market in the same series as the CUBE Order that are not marked GTX, that are received during the Response Time Interval, and that are eligible to participate within the range of permissible executions specified for the Auction pursuant to paragraph (b)(1) of this Rule shall also be considered RFR Responses.

(a) Quotes and orders received during the Response Time Interval that are not marketable against the NBBO and are not marked GTX shall be posted to the Consolidated Book.

(b) Quotes and orders received during the Response Time Interval that are on the same side as the CUBE Order to buy (sell) and are priced higher (lower) than the initiating price shall be posted to the Consolidated Book and result in an early conclusion of the Auction pursuant to paragraph (c)(4) of this Rule.

(c) Quotes and orders that are not marked GTX can only be priced in the MPV for the series in the Auction. A quote or non-GTX Order submitted with a one cent MPV when the series has either \$0.05 or \$0.10 MPV will be rejected as invalid.

(3) Conclusion of Auction. The CUBE Auction shall conclude at the end of the Response Time Interval. The CUBE Auction shall conclude earlier than the end of the Response Time Interval if there is a trading halt in the affected series or if there is an early conclusion event pursuant to paragraph (c)(4) of this Rule. If there is a trading halt in the affected series, the CUBE Order shall execute pursuant to paragraph (c)(5) of this Rule.

(4) Early Conclusion of Auction. A CUBE Auction shall conclude before the end of the Response Time Interval as described in paragraphs (c)(4)(A)-(D) of this Rule. If there is an early conclusion of the Auction, the CUBE Order will execute as follows:

(A) New CUBE Order. A CUBE Auction will conclude early if a new CUBE Order in the same series arrives during the Response Time Interval. When the Auction concludes, the CUBE Order will execute pursuant to paragraph (c)(5) of this Rule and the new CUBE Auction will then proceed as described in this paragraph (c).

(B) Same Side Marketable Against RFR Responses or NBBO (or BBO) at the Time of Arrival. A CUBE Auction will conclude early if the Exchange receives during the Response Time Interval an unrelated quote or order that is on the same side of the market as the CUBE Order, that is marketable against any RFR Responses or the NBBO (or the BBO, for a non-routable order) at the time of arrival. When the Auction concludes, the CUBE Order will execute pursuant to paragraph (c)(5) of this Rule. Any GTX Orders that do not execute in the CUBE Auction will execute against the unrelated quote or order that caused the CUBE Auction to conclude early to the extent possible and then cancel. Contracts remaining, if any, from any unrelated quote or order when the Auction has concluded will be processed in accordance with Rule 964NY Order Display and Priority.

(C) Opposite Side Marketable Against NBBO (or BBO) at the Time of Arrival. A CUBE Auction will conclude early if the Exchange receives during the Response Time Interval any RFR Response that is marketable against the NBBO (or the BBO, for a non-routable order) at the time of arrival. When the Auction concludes, the CUBE Order will execute consistent with paragraph (b)(3) of this Rule and as follows:

(i) If the CUBE Auction concludes early because the Exchange receives during the Response Time Interval an unrelated marketable limit order or quote on the opposite side of the CUBE Order, the CUBE Order will execute pursuant to paragraph (c)(5) of this Rule. Contracts remaining, if any, from unrelated quotes or orders at the time the Auction concludes will be processed in accordance with Rule 964NY Order Display and Priority. Any unfilled GTX Orders will cancel.

(ii) If the CUBE Order is to buy (sell), the Initiating Participant has selected auto-match, the order that caused the Auction to conclude early is a market order to sell (buy), and no other RFR Responses have been received, the CUBE Order will execute against the unrelated market order at the midpoint of the initiating price and the lower (upper) bound of the range of permissible executions. If no midpoint is possible, the execution shall be rounded up (down) to the nearest whole penny toward the initiating price. Any unfilled size of the CUBE Order will then execute pursuant to paragraph (c)(5) of this Rule.

(iii) If the CUBE Order is to buy (sell), the Initiating Participant has selected auto-match, the order that caused the Auction to conclude early is a market order to sell (buy), and other RFR Responses were received before the arrival of that market order, the CUBE Order will execute against the unrelated market order at the lowest (highest) response price within the range of permissible executions. Any unfilled size of the CUBE Order will then execute pursuant to paragraph (c)(5) of this Rule. Any unfilled GTX Orders will cancel.

(iv) If the CUBE Order is to buy (sell), the Initiating Participant has selected a single stop price or the auto-match limit, and the order that caused the Auction to conclude early is a market order to sell (buy), the CUBE Order will execute against the unrelated market order at the lowest (highest) price at which an execution could occur within the range of permissible executions, which may be an RFR Response price, the single stop or auto-match limit price. Any unfilled size of the CUBE Order will then execute pursuant to paragraph (c)(5) of this Rule. Any unfilled GTX Orders will cancel.

(D) Same Side New BBO Improves initiating price. A CUBE Auction will conclude early if the Exchange receives during the Response Time Interval an unrelated, non-marketable quote or limit order that is on the same side of the market as the CUBE Order to buy (sell) and that is priced higher (lower) than the initiating price and therefore creates a new BB (BO) that is higher (lower) than the initiating price. When the Auction concludes, the CUBE Order will execute pursuant to paragraph (c)(5) of this Rule. Unfilled GTX Orders are eligible to execute against the unrelated interest that caused the CUBE Auction to conclude early and then will cancel. Contracts remaining, if any, from such unrelated quote or order at the time the Auction ends will be processed in accordance with Rule 964NY Order Display and Priority.

(E) AON orders, either those that are resting in the Consolidated Book prior to an Auction, or those that arrive during an Auction, may only trade if sufficient size remains to fill the entire AON order after the CUBE Order has been fully executed. If sufficient interest to fill an entire AON order is received during the Response Time Interval, the Auction will conclude early and the CUBE Order will be executed pursuant to paragraph (c)(5) of this Rule. Any unfilled GTX Orders will cancel. After the Auction concludes, the Exchange shall reevaluate whether the AON can be executed.

(5) Order Allocation. When the Auction concludes, any RFR Response that exceeds the size of the CUBE Order will be capped at the CUBE Order size for purposes of size pro rata allocation of the CUBE Order per Rule 964NY(b)(3), and the CUBE Order will be allocated at the best price(s) as follows:

(A) At each price level, any Customer orders resting on the Consolidated Book at the start of the CUBE Auction shall have first priority, followed by Customer orders that arrived during the CUBE Auction as RFR Responses.

(B) After Customer interest at a particular price level has been satisfied, remaining contracts shall be allocated among the Contra Order and RFR Responses as follows:

(i) Single stop price: For a CUBE Order to buy (sell), CUBE executions will occur as follows:

- (a) first to RFR Responses priced below (above) the stop price, beginning with the lowest (highest) price within the range of permissible executions, pursuant to the size pro rata algorithm set forth in Rule 964NY(b)(3) at each price point.
- (b) Any remaining contracts of the CUBE Order shall execute at the stop price. At the stop price, if there is sufficient size of the CUBE Order still available after executing at prices below (above) the stop price or against Customer interest, the Contra Order shall receive an allocation of the greater of 40% of the original CUBE Order size or one contract (or the greater of 50% of the original CUBE Order size or one contract if there is only one RFR Response). Any remaining CUBE Order contracts at the stop price shall be allocated among remaining RFR Responses pursuant to the size pro rata algorithm set forth in Rule 964NY(b)(3). If all RFR Responses are filled, any remaining CUBE Order contracts shall be allocated to the Contra Order.
- (c) If there are no RFR Responses, the CUBE Order shall execute against the Contra Order at the higher (lower) of the stop price or the lower (upper) bound of the range of permissible executions.
- (ii) Auto-match: For a CUBE Order to buy (sell), CUBE executions will occur as follows:
- (a) the Contra Order shall be allocated an equal number of contracts as the aggregate size of all other RFR Responses at each price level starting with the lowest (highest) price at which an execution against an RFR Response occurs within the range of permissible executions until a price point is reached where the balance of the CUBE Order can be fully executed (the “clean-up price”).
- (b) At the clean-up price, if there is sufficient size of the CUBE Order still available after executing at better prices or against Customer interest, the Contra Order shall receive additional contracts required to achieve an allocation equal to the greater of 40% of the original CUBE Order size or one contract (or the greater of 50% of the original CUBE Order size or one contract if there is only one RFR Response). If the Contra Order meets its allocation guarantee at a price below (above) the clean-up price, it will cease matching RFR Responses that may be priced above (below) the price at which the Contra Order received its allocation guarantee. If there are other RFR Responses at the clean-up price, the remaining CUBE Order contracts will be allocated to such interest pursuant to the size pro rata algorithm set forth in Rule 964NY(b)(3). If all RFR Responses are filled, any remaining CUBE Order contracts shall be allocated to the Contra Order at the initiating price.

(c) If there are no RFR Responses, the CUBE Order shall execute against the Contra Order at the initiating price.

(iii) Auto-match limit: For a CUBE Order to buy (sell), the CUBE executions will occur as follows:

(a) first to RFR Responses at each price level priced below (above) the auto-match limit price (if any) within the range of permissible executions, beginning with the lowest (highest) price, pursuant to the size pro rata algorithm set forth in Rule 964NY(b)(3) at each price point;

(b) next, to RFR Responses at a price equal to the price of the Contra Order's auto-match limit price, and if volume remains, to prices higher (lower) than the auto-match limit price. At each price point equal to or higher (lower) than the auto-match limit price, the Contra Order shall be allocated contracts equal to the aggregate size of all other RFR Responses. At the clean-up price, if there is sufficient size of the CUBE Order still available after executing at better prices or against Customer interest, the Contra Order shall receive additional contracts required to achieve an allocation of the greater of 40% of the original CUBE Order size or one contract (or the greater of 50% of the original CUBE Order size or one contract if there is only one RFR Response). If the Contra Order meets its allocation guarantee at a price below (above) the clean-up price, it will cease matching RFR Responses that may be priced above (below) the price at which the Contra Order received its allocation guarantee. If there are other RFR Responses at the clean-up price the remaining CUBE Order contracts will be allocated to such interest pursuant to the size pro rata algorithm set forth in Rule 964NY(b)(3). Any remaining CUBE Order contracts shall be allocated to the Contra Order at the initiating price.

(c) If there are no RFR Responses, the CUBE Order shall execute against the Contra Order at the initiating price.

(C) After the CUBE Order has been executed, any remaining RFR Responses not marked GTX will be processed in accordance with Rule 964NY Order Display and Priority.

(D) A single RFR Response shall not be allocated a number of contracts that is greater than its size.

(E) Only the displayed size of a Reserve Order shall be eligible to receive an allocation. The displayed portion of a Reserve Order will be refreshed after the Auction is completed.

Commentary:

.01 Rules 971.1NY(b)(1)(B) (CUBE Auctions for fewer than 50 contracts) and 971.1NY(b)(8) (the minimum size for a CUBE Auction is one contract) are being adopted for a pilot period to be effective for one year ending on [insert date one year from of approval order] (the “Pilot Period”). During this Pilot Period, the Exchange will submit certain data, periodically as required by the Commission, to provide supporting evidence that, among other things, there is meaningful competition for all size orders and that there is an active and liquid market functioning on the Exchange outside of the CUBE Auction. Any data that is submitted to the Commission will be provided on a confidential basis.

.02 The following conduct shall be considered conduct inconsistent with just and equitable principles of trade:

- (a) An ATP Holder entering RFR Responses to a CUBE Auction for which the ATP Holder is the Initiating Participant.
- (b) Engaging in a pattern and practice of trading or quoting activity for the purpose causing a CUBE Auction to conclude before the end of the Response Interval Time.
- (c) An Initiating Participant that breaks up an agency order into separate CUBE Orders for the purpose of gaining a higher allocation percentage than the Initiating Participant would have otherwise received in accordance with the allocation procedures contained in paragraph (c)(5) of this Rule.
- (d) Engaging in a pattern and practice of sending multiple RFR Responses at the same price that in the aggregate exceed the size of the CUBE Order.

.03 CUBE executions shall always be reported to OPRA as “stopped” trades.
