

Example 1: General Execution of Marketable and Non- Marketable Odd-lots

(A) Current NBBO:

National Best Bid is \$10.05-300 shares | National Best Offer is \$10.10-200 shares

The following odd-lot orders were received into the odd-lot System after this quote in time priority of receipt:

- | | | |
|---------------|-----------------|--|
| 1. Buy 50 mkt | 8. Buy 50 mkt | 15. Buy 75 @ \$10.05 (non-mktbl at receipt) |
| 2. Buy 50 mkt | 9. Sell 50 mkt | 16. Buy 75 @ \$10.05 (non-mktbl at receipt) |
| 3. Buy 50 mkt | 10. Sell 50 mkt | 17. Sell 75 @ \$10.06 (non-mktbl at receipt) |
| 4. Buy 75 mkt | 11. Sell 50 mkt | 18. Sell 75 @ \$10.06 (non-mktbl at receipt) |
| 5. Buy 50 mkt | 12. Sell 50 mkt | 19. Sell 75 @ \$10.06 (non-mktbl at receipt) |
| 6. Buy 75 mkt | 13. Sell 50 mkt | 20. Sell 75 @ \$10.06 (non-mktbl at receipt) |
| 7. Buy 75 mkt | 14. Sell 50 mkt | 21. Sell 75 @ \$10.06 (non-mktbl at receipt) |

(B) Round-lot Transaction on the Exchange-Triggers Execution of Marketable Odd-lots:

Round-lot Transaction on the Exchange of 500 shares @ \$10.05

National Best Bid is \$10.05-300 shares | National Best Offer is \$10.10-200 shares

In this part of the example, there is a round-lot transaction sale of 500 shares @ \$10.05 on the Exchange, which, pursuant to proposed section (c) of Exchange Rule 124, causes marketable odd-lot orders to receive an execution subject to provisions of proposed section (c). The executions of odd-lot orders are described below:

- i. Pursuant to proposed subsection (c)(i) of the rule, marketable buy orders 1 – 6 (a total of 350 shares) will be paired (“netted”) with marketable sell odd-lot orders 9-14 (a total of 300 shares) and executed against the specialist at the price of the round-lot transaction (\$10.05). Order number 6, which would otherwise receive a partial execution of only 25 shares leaving 50 shares unexecuted, receives a full execution. (In “netting,” buy odd-lot orders execute against the specialist and the corresponding sell odd-lot orders execute against the specialist, giving the net effect to the specialist of 0).
 1. Buy 50 mkt - executed at the round-lot transaction price of \$10.05.
 2. Buy 50 mkt - executed at the round-lot transaction price of \$10.05.
 3. Buy 50 mkt - executed at the round-lot transaction price of \$10.05.
 4. Buy 75 mkt - executed at the round-lot transaction price of \$10.05.
 5. Buy 50 mkt - executed at the round-lot transaction price of \$10.05.
 6. Buy 75 mkt - executed at the round-lot transaction price of \$10.05.

9. Sell 50 mkt – executed at the round-lot transaction price of \$10.05.
 10. Sell 50 mkt - executed at the round-lot transaction price of \$10.05.
 11. Sell 50 mkt - executed at the round-lot transaction price of \$10.05.
 12. Sell 50 mkt - executed at the round-lot transaction price of \$10.05.
 13. Sell 50 mkt - executed at the round-lot transaction price of \$10.05.
 14. Sell 50 mkt - executed at the round-lot transaction price of \$10.05.
- ii. Pursuant to proposed subsection (c)(ii) of the rule, marketable odd-lot orders that do not receive an execution pursuant to the netting provision of proposed subsection (c)(i) will be executed, in time priority of receipt at the price of the national best bid (in the case of odd-lot orders to sell), or the national best offer (in the case of odd-lot orders to buy). The specialist is the contra side to the executions. Marketable buy orders 7 and 8 (125 shares) will receive an execution at the national best offer price of \$10.10. The volume limitation of proposed subsection (c)(iii) is applicable for executions that take place pursuant to proposed subsection (c)(ii). The volume limitation here is the number of shares in the national best offer (200 shares), which is the lesser of a comparison between the number of shares at the national best offer or the round-lot transaction (500 shares). The execution of buy orders 7 and 8 (125 shares) does not exceed the volume limitation of 200 shares.
7. Buy 75 mkt - executed at the national best offer of \$10.10.
 8. Buy 50 mkt - executed at the national best offer of \$10.10.
- iii. Pursuant to proposed section (b) and (d) of the rule, orders 15 and 16, non-marketable odd-lot limit orders to buy with a limit price of \$10.05, remain non-marketable because their limit price is not at or higher than the national best offer price of \$10.10.
15. Buy 75 @ \$10.05 (non-mktbl) - no execution - less than the national best offer of \$10.10.
 16. Buy 75 @ \$10.05 (non-mktbl) - no execution - less than the national best offer price of \$10.10.
- iv. Pursuant to proposed sections (b) and (d), orders 17- 21 (non-marketable odd-lot limit orders to sell with a limit price of \$10.06) do not receive an execution because their limit price is not at or lower than the national best bid price of \$10.05.
17. Sell 75 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
 18. Sell 75 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
 19. Sell 75 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
 20. Sell 75 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.

21. Sell 75 @ \$10.06 (non-mktbl)-no execution-greater than the national best bid of \$10.05.

(C) New Quote and Subsequent Round-lot Transaction on Exchange:

Round-lot Transaction on Exchange of 300 shares @ \$10.06

National Best Bid is \$10.06-500 shares | National Best Offer is \$10.10-100 shares

Orders 22 -31 were received into the odd-lot System after this quote in time priority of receipt behind unexecuted orders 17-21:

- 17.** Sell 75@ 10.06 (non-mktbl) **22.** Buy 75 mkt **27.** Sell 75 @ \$10.05 (mktbl)
18. Sell 75@ 10.06 (non-mktbl) **23.** Buy 50 mkt **28.** Sell 75 @ \$10.05 (mktbl)
19. Sell 75@ 10.06 (non-mktbl) **24.** Buy 75 mkt **29.** Sell 99 @ \$10.05 (mktbl)
20. Sell 75@ 10.06 (non-mktbl) **25.** Buy 75 mkt **30.** Sell 99 @ \$10.05 (mktbl)
21. Sell 75@ 10.06 (non-mktbl) **26.** Buy 75 mkt **31.** Sell 99 @ \$10.05 (mktbl)

In this part of the example, there is a new quote and the price of the national best bid has increased to \$10.06 and the number of shares available is now 500 shares. The price of the national best offer remains the same at \$10.10, but the number of shares available now is 100 shares. There is a subsequent round-lot transaction of 300 shares at the price of \$10.06, which acts as a trigger for the execution of additional marketable odd-lot orders. The executions of odd-lot orders are described below:

- v. Pursuant to proposed section (b) and (d) of the rule, orders 15 and 16, non-marketable odd-lot limit orders to buy with a limit price of \$10.05, continue to remain non-marketable because their limit price is not *at or higher* than the national best offer price of \$10.10.

15. Buy 75 @ \$10.05 (non-mktbl) - no execution - less than the national best offer of \$10.10.

16. Buy 75 @ \$10.05 (non-mktbl) - no execution - less than the national best offer price of \$10.10.

- vi. Pursuant to proposed sections (b) and (d), orders 17-21 (non-marketable odd-lot limit orders to sell with a limit price of \$10.06) are now marketable and eligible for execution because their limit price is at the national best bid price of \$10.06. Pursuant to proposed subsection (c)(i) orders 17-21 (at total of 375 shares) will be netted with marketable odd-lot buy orders 22-26 (a total of 350 shares) and executed at the price of the round-lot transaction. Order 21, which would otherwise only receive an execution of 25 shares, will be executed in full.

17. Sell 75 @ \$10.06 (non-mktbl) - execution at round-lot transaction price of \$10.06.

18. Sell 75 @ \$10.06 (non-mktbl) - execution at round-lot transaction price of \$10.06.
 19. Sell 75 @ \$10.06 (non-mktbl) - execution at round-lot transaction price of \$10.06.
 20. Sell 75 @ \$10.06 (non-mktbl) - execution at round-lot transaction price of \$10.06.
 21. Sell 75 @ \$10.06 (non-mktbl) - execution at round-lot transaction price of \$10.06.
 22. Buy 75 mkt - execution at round-lot transaction price of \$10.06.
 23. Buy 50 mkt - execution at round-lot transaction price of \$10.06.
 24. Buy 75 mkt - execution at round-lot transaction price of \$10.06.
 25. Buy 75 mkt - execution at round-lot transaction price of \$10.06.
 26. Buy 75 mkt - execution at round-lot transaction price of \$10.06.
- vii. Orders 27-30 (marketable odd-lot limit orders to sell) are eligible for an execution because their limit price of \$10.05 is lower than the national best bid price of \$10.06 pursuant to proposed section (b). These orders were unable to receive an execution pursuant to proposed subsection (c)(i). These four orders (a total of 348 shares) will be executed pursuant to proposed subsection (c)(ii) at the national best bid price of \$10.06, subject to the 300 share volume limitation of proposed subsection (c)(iii) which is the lesser of the number of shares in the national best bid (500 shares) or the number of shares in the round-lot transaction on the Exchange (300 shares). Order number 30, which otherwise would have received a partial execution of 51 shares, will be executed in full.
27. Sell 75 @ \$10.05 (mktbl) - execution at the national best bid price of \$10.06.
 28. Sell 75 @ \$10.05 (mktbl) - execution at the national best bid price of \$10.06.
 29. Sell 99 @ \$10.06 (mktbl) - execution at the national best bid price of \$10.06.
 30. Sell 99 @ \$10.06 (mktbl) - execution at the national best bid price of \$10.06.

(D) Elapse of 30 seconds since the receipt of Odd-lot orders into Exchange Systems

Previous round-lot transaction on Exchange of 300 shares @ \$10.06

Best Bid is \$10.06-500 shares | Best Offer is \$10.10-100 shares

In this part of the example, 30 seconds has elapsed since the receipt of orders 1-31 into Exchange systems. Orders 15, 16 and 31 remain unexecuted.

- viii. Orders 15 and 16 (non-marketable odd-lot limit order to buy) will continue to remain unexecuted pursuant to proposed sections (b) and (d) since their limit price of \$10.05 is not at or higher than the national best offer price of \$10.10.

15. Buy 75 @ \$10.05 (non-mktbl) - no execution - less than the national best offer of \$10.10.
 16. Buy 75 @ \$10.05 (non-mktbl) - no execution - less than the national best offer price of \$10.10.
- ix. Order 31 (a marketable odd-lot limit order to sell) did not receive an execution pursuant to (c)(i)-(iv). Accordingly, pursuant to the 30 second timer provision of proposed subsection (c)(v), the order will be executed at the national best bid price of \$10.06, subject to the 300 share volume limitation of (c)(iii). This 99 share execution does not exceed the volume limitation.
31. Sell 99 @ \$10.05 (mktbl)- execution at the national best offer price of \$10.06.

Example 2: Execution of Odd-lot orders at the close of trading

(A) Current NBBO in security XYZ:

National Best Bid is \$10.05-300 shares | National Best Offer is \$10.10-200 shares

The following odd-lot orders were received in time priority of receipt into the odd-lot System and remain unexecuted prior to the close of trading:

- | | |
|-----------------------------------|-----------------------------------|
| 1. Buy 99 mkt | 11. Sell 99 @ \$10.06 (non-mktbl) |
| 2. Buy 99 mkt | 12. Sell 99 @ \$10.06 (non-mktbl) |
| 3. Buy 99 mkt | 13. Sell 99 @ \$10.06 (non-mktbl) |
| 4. Buy 99 @ \$10.05(non-mktbl) | 14. Sell 99 @ \$10.06 (non-mktbl) |
| 5. Sell 99 mkt | 15. Sell 99 @ \$10.06 (non-mktbl) |
| 6. Sell 99 mkt | 16. Sell 99 @ \$10.06 (non-mktbl) |
| 7. Sell 99 mkt | 17. Sell 99 @ \$10.06 (non-mktbl) |
| 8. Sell 99 @ \$10.06 (non-mktbl) | 18. Sell 99 mkt |
| 9. Sell 99 @ \$10.06 (non-mktbl) | 19. Sell 99 mkt |
| 10. Sell 99 @ \$10.06 (non-mktbl) | 20. Sell 99 mkt |

(B) Close of trading in security XYZ:

In this example, 1000 shares of security XYZ were executed at the price of \$10.06 for the closing transaction. The executions of odd-lot orders are described below:

- i. Pursuant to proposed subsection (c)(viii) of the rule, buy odd-lot orders 1-3 (a total of 297 shares) will be netted with sell odd-lot orders 5-7 (also a total of 297 shares) and executed against the specialist at the price of the closing transaction.
 1. Buy 99 mkt - execution at \$10.06.
 2. Buy 99 mkt - execution at \$10.06.
 3. Buy 99 mkt - execution at \$10.06.
 5. Sell 99 mkt - execution at \$10.06.
 6. Sell 99 mkt - execution at \$10.06.
 7. Sell 99 mkt - execution at \$10.06.
- ii. Pursuant to proposed sections (b) and (d), order 4 (a non-marketable odd-lot limit to buy) will not receive an execution because it remains non-marketable since its limit price of \$10.05 is not at or higher than the national best offer price of \$10.10.

4. Buy 99 @ \$10.05(non-mktbl)- no execution- limit price not greater than the national best offer price of \$10.10.

iii. Pursuant to proposed subsection (d), orders 8-17 (non-marketable odd-lot limit orders to sell) will not receive an execution at the close of trading because they remain non-marketable since their limit price of \$10.06 is not at or lower than the national best bid price of \$10.05.

8. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national bid of \$10.05.
9. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
10. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
11. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
12. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
13. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
14. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
15. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.
16. Sell 99 @ \$10.06 (non-mktbl) – no execution - greater than the national best bid of \$10.05.
17. Sell 99 @ \$10.06 (non-mktbl) - no execution - greater than the national best bid of \$10.05.

iv. Orders 18- 20 (marketable odd-lot orders to sell) will receive an execution at the closing transaction price of \$10.06 subject to 1000 share volume limitation which is the number of shares in the round-lot closing transaction.

18. Sell 99 mkt - execution at \$10.06.
19. Sell 99 mkt - execution at \$10.06.
20. Sell 99 mkt - execution at \$10.06.