

Additions: Underlined  
 Deletions: [Bracketed]

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

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#### **Rule 7-E EQUITIES TRADING**

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#### **Section 3. NYSE Arca Marketplace**

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#### **Rule 7.44-E. Reserved [Retail Liquidity Program]**

##### **(a) Definitions.**

- (1) Retail Liquidity Provider. A “Retail Liquidity Provider” or “RLP” is an ETP Holder that is approved by the Exchange under this Rule to act as such and that is required to submit Retail Price Improvement Orders in accordance with this Rule.
- (2) Retail Member Organization. A “Retail Member Organization” or “RMO” is an ETP Holder that is approved by the Exchange under this Rule to submit Retail Orders.
- (3) Retail Order. A “Retail Order” is an agency order or a riskless principal order that meets the criteria of FINRA Rule 5320.03 that originates from a natural person and is submitted to the Exchange by an RMO, provided that no change is made to the terms of the order with respect to price or side of market and the order does not originate from a trading algorithm or any other computerized methodology.

A Retail Order will operate in accordance with Rule 7.44-E(k). A Retail Order may be an odd lot, round lot, or mixed lot.

- (4) Retail Price Improvement Order. A “Retail Price Improvement Order” or “RPI” consists of non-displayed interest that would trade at prices better than the PBB or PBO by at least \$0.001 and that is identified as such.
  - (A) An RPI remains non-displayed in its entirety, is ranked Priority 3 - Non-Display Orders.
  - (B) Exchange systems will monitor whether RPI buy or sell interest is eligible to trade with incoming Retail Orders. An RPI to buy (sell) with a limit price at or below (above) the PBB (PBO) or at or above (below) the PBO (PBB) will not be eligible to trade with incoming Retail Orders to sell (buy), and such an RPI will cancel if a Retail Order to sell (buy) trades with all displayed liquidity at the PBB (PBO) and then attempts to trade with the RPI. If not cancelled, an RPI to buy (sell) with a limit price that is no longer at or below (above) the PBB (PBO) or at or above (below) the PBO (PBB) will again be eligible to trade with incoming Retail Orders.

- (C) For securities to which it is assigned, an RLP may only enter an RPI in its RLP capacity. An RLP is permitted, but not required, to submit RPIs for securities to which it is not assigned, and will be treated as a non-RLP ETP Holder for those particular securities. Additionally, ETP Holders other than RLPs are permitted, but not required, to submit RPIs.
- (D) An RPI may be an odd lot, round lot, or mixed lot. An RPI must be designated as either a Limit Non-Displayed Order or MPL Order, and an order so designated will interact with incoming Retail Orders only and will not interact with either a Type 2- Retail Order Day or Type 2- Retail Order Market that is resting on the NYSE Arca Book.

**(b) RMO Qualifications and Application.**

- (1) To qualify as an RMO, an ETP Holder must conduct a retail business or route retail orders on behalf of another broker-dealer. For purposes of this Rule, conducting a retail business includes carrying retail customer accounts on a fully disclosed basis
- (2) To become an RMO, an ETP Holder must submit:
  - (A) an application form;
  - (B) supporting documentation, which may include sample marketing literature, Web site screenshots, other publicly disclosed materials describing the ETP Holder's retail order flow, and any other documentation and information requested by the Exchange in order to confirm that the applicant's order flow would meet the requirements of the Retail Order definition; and
  - (C) an attestation, in a form prescribed by the Exchange, that substantially all orders submitted as Retail Orders will qualify as such under this Rule.
- (3) After an applicant submits the application form, supporting documentation, and attestation, the Exchange will notify the applicant of its decision in writing.
- (4) A disapproved applicant may: (A) request an appeal of such disapproval by the Exchange as provided in paragraph (i) below; and/or (B) reapply for RMO status 90 days after the disapproval notice is issued by the Exchange.
- (5) An RMO may voluntarily withdraw from such status at any time by giving written notice to the Exchange.
- (6) An RMO must have written policies and procedures reasonably designed to assure that it will only designate orders as Retail Orders if all requirements of a Retail Order are met. Such written policies and procedures must require the ETP Holder to (i) exercise due diligence before entering a Retail Order to assure that entry as a Retail Order is in compliance with the requirements of this Rule, and (ii) monitor whether orders entered as Retail Orders meet the applicable requirements. If an RMO does not itself conduct a retail business but routes Retail Orders on behalf of another broker-dealer, the RMO's

supervisory procedures must be reasonably designed to assure that the orders it receives from such other broker-dealer that are designated as Retail Orders meet the definition of a Retail Order. The RMO must (i) obtain an annual written representation, in a form acceptable to the Exchange, from each other broker-dealer that sends the RMO orders to be designated as Retail Orders that entry of such orders as Retail Orders will be in compliance with the requirements of this Rule; and (ii) monitor whether Retail Order flow routed on behalf of such other broker-dealer meets the applicable requirements.

(c) **RLP Qualifications.** To qualify as an RLP, an ETP Holder must:

- (1) be registered as a Market Maker (“MM”) or Lead Market Maker (“LMM”);
- (2) demonstrate an ability to meet the requirements of an RLP;
- (3) have the ability to accommodate Exchange-supplied designations that identify to the Exchange RLP trading activity in assigned RLP securities. An ETP Holder may not use such designation for non-RLP trading activity at the Exchange. An ETP Holder will not receive credit for its RLP trading activity for which it does not use its designation; and
- (4) have adequate trading infrastructure and technology to support electronic trading.

(d) **RLP Application.**

- (1) To become an RLP, an ETP Holder must submit an RLP application form with all supporting documentation to the Exchange.
- (2) After an applicant submits an RLP application form with supporting documentation to the Exchange, the Exchange will notify the applicant of its decision. The Exchange may approve one or more ETP Holders to act as an RLP for a particular security. The Exchange may also approve a particular ETP Holder to act as RLP for one or more securities. Approved RLPs may be assigned securities according to requests made to, and approved by, the Exchange.
- (3) If an applicant is approved by the Exchange to receive RLP status, such applicant must establish connectivity with relevant Exchange systems before such applicant is permitted to trade as an RLP on the Exchange.
- (4) If an applicant is disapproved under this paragraph (d) by the Exchange, the Exchange will provide written notice of its disapproval. The disapproved applicant may: (A) request an appeal of such disapproval by the Exchange as provided in paragraph (i) below; and/or (B) reapply for RLP status 90 days after the disapproval notice is issued by the Exchange.

(e) **Voluntary Withdrawal of RLP Status.** An RLP may withdraw from its status as an RLP by giving notice to the Exchange. Such withdrawal will become effective when those securities assigned to the withdrawing RLP are reassigned to another RLP. After the Exchange receives the notice of withdrawal from the withdrawing RLP, the Exchange will reassign such securities as soon as practicable, but no later than 30 days after the date said notice is

received by the Exchange. In the event the reassignment of securities takes longer than the 30-day period, the withdrawing RLP will have no obligations under this Rule 7.44-E and will not be held responsible for any matters concerning its previously assigned RLP securities upon termination of this 30-day period.

**(f) RLP Requirements.**

(1) An RLP may only enter a Retail Price Improvement Order electronically and directly into Exchange systems and facilities designated for this purpose and only in an RLP capacity for the securities to which it is assigned as RLP. An RLP entering RPIs in securities to which it is not assigned is not required to satisfy the requirements in this paragraph.

An RLP must maintain:

(A) a Retail Price Improvement Order that is better than the PBB at least five percent of the trading day for each assigned security; and

(B) a Retail Price Improvement Order that is better than the PBO at least five percent of the trading day for each assigned security.

(2) An RLP's five-percent requirements are calculated by determining the average percentage of time an RLP maintains a Retail Price Improvement Order in each of its RLP securities during the regular trading day on a daily and monthly basis. The Exchange will determine whether an RLP has met this requirement by calculating the following:

(A) the "Daily Bid Percentage" is calculated by determining the percentage of time an RLP maintains a Retail Price Improvement Order with respect to the PBB during each trading day for a calendar month;

(B) the "Daily Offer Percentage" is calculated by determining the percentage of time an RLP maintains a Retail Price Improvement Order with respect to the PBO during each trading day for a calendar month;

(C) the "Monthly Average Bid Percentage" is calculated for each RLP security by summing the security's "Daily Bid Percentages" for each trading day in a calendar month then dividing the resulting sum by the total number of trading days in such calendar month; and

(D) the "Monthly Average Offer Percentage" is calculated for each RLP security by summing the security's "Daily Offer Percentage" for each trading day in a calendar month and then dividing the resulting sum by the total number of trading days in such calendar month.

(E) Only Retail Price Improvement Orders entered throughout the trading day will be used when calculating whether an RLP is in compliance with its five-percent requirements.

(3) The five-percent requirement will not be applicable in the first two calendar months an

ETP Holder operates as an RLP. The requirement will take effect on the first day of the third consecutive calendar month the ETP Holder operates as an RLP.

**(g) Failure of RLP to Meet Requirements.**

- (1) If, after the first two months an RLP acts as an RLP, an RLP fails to meet any of the requirements set forth in paragraph (f) of this Rule for any assigned RLP security for three consecutive months, the Exchange may, in its discretion, take one or more of the following actions:
  - (A) revoke the assignment of any or all of the affected securities from the RLP;
  - (B) revoke the assignment of unaffected securities from the RLP; or
  - (C) disqualify the ETP Holder from its status as an RLP.
- (2) Disqualification Determinations. The Exchange will determine if and when an ETP Holder is disqualified from its status as an RLP. One calendar month prior to any such determination, the Exchange will notify an RLP of such impending disqualification in writing. When disqualification determinations are made, the Exchange will provide a written disqualification notice to the ETP Holder.
- (3) Appeal and/or Reapplication for RLP Status. An RLP that is disqualified under this paragraph (g) may: (A) appeal such disqualification as provided in paragraph (i) below; and/or (B) reapply for RLP status 90 days after the disqualification notice is issued by the Exchange.

**(h) Failure of RMO to Abide by Retail Order Requirements.**

- (1) If an RMO designates orders submitted to the Exchange as Retail Orders and the Exchange determines, in its sole discretion, that such orders fail to meet any of the requirements set forth in paragraph (a) of this Rule, the Exchange may disqualify an ETP Holder from its status as an RMO.
- (2) Disqualification Determinations. The Exchange will determine if and when an ETP Holder is disqualified from its status as an RMO. When disqualification determinations are made, the Exchange will provide a written disqualification notice to the ETP Holder.
- (3) Appeal and/or Reapplication for RMO Status. An RMO that is disqualified under this paragraph (h) may: (A) appeal such disqualification as provided in paragraph (i) below; and/or (B) reapply for RMO status 90 days after the date of the disqualification notice from the Exchange.

**(i) Appeal of Disapproval or Disqualification.**

- (1) If an ETP Holder disputes the Exchange's decision to disapprove it under Rule 7.44-E(b) or (d) or disqualify it under Rule 7.44-E(g) or (h), the ETP Holder ("appellant") may

request, within five business days after notice of the decision is issued by the Exchange, that the Retail Liquidity Program Panel (“RLP Panel”) review the decision to determine if it was correct.

(A) In the event an ETP Holder is disqualified from its status as an RLP pursuant to paragraph (g) of this Rule, the Exchange will not reassign the appellant’s securities to a different RLP until the RLP Panel has informed the appellant of its ruling.

- (2) The RLP Panel will consist of the Exchange’s Chief Regulatory Officer (“CRO”), or a designee of the CRO, and two qualified Exchange employees.
- (3) The RLP Panel will review the facts and render a decision within the time frame prescribed by the Exchange.
- (4) The RLP Panel may overturn or modify an action taken by the Exchange under this Rule. A determination by the RLP Panel will constitute final action by the Exchange.

(j) **Retail Liquidity Identifier.** An identifier will be disseminated through the Consolidated Quotation System or the UTP Quote Data Feed, as applicable, when RPI interest priced at least \$0.001 better than the PBB or PBO for a particular security is available in Exchange systems (“Retail Liquidity Identifier”). The Retail Liquidity Identifier will reflect the symbol for the particular security and the side (buy or sell) of the RPI interest, but will not include the price or size of the RPI interest.

(k) **Retail Order Designation.** A Retail Order may not be designated with a minimum trade size. An RMO can designate how a Retail Order will trade with available contra-side interest as follows:

- (1) Type 1. A Type 1- Retail Order to buy (sell) is a Limit IOC Order that will trade only with available Retail Price Improvement Orders to sell (buy) and all other orders to sell (buy) with a working price below (above) the PBO (PBB) on the NYSE Arca Book and will not route. The quantity of a Type 1- Retail Order to buy (sell) that does not trade with eligible orders to sell (buy) will be immediately and automatically cancelled. A Type-1 designated Retail Order will be rejected on arrival if the PBBO is locked or crossed.
- (2) Type 2. A Type 2- Retail Order may be a Limit Order designated IOC or Day or a Market Order, and will function as follows:
  - (A) A Type 2- Retail Order IOC to buy (sell) is a Limit IOC Order that will trade first with available Retail Price Improvement Orders to sell (buy) and all other orders to sell (buy) with a working price below (above) the PBO (PBB) on the NYSE Arca Book. Any remaining quantity of the Retail Order will trade with orders to sell (buy) on the NYSE Arca Book at prices equal to or above (below) the PBO (PBB) and will be traded as a Limit IOC Order and will not route.
  - (B) A Type 2- Retail Order Day to buy (sell) is a Limit Order that will trade first with available Retail Price Improvement Orders to sell (buy) and all other orders to sell

(buy) with a working price below (above) the PBO (PBB) on the NYSE Arca Book. Any remaining quantity of the Retail Order, if marketable, will trade with orders to sell (buy) on the NYSE Arca Book or route, and if non-marketable, will be ranked in the NYSE Arca Book as a Limit Order.

(C) A Type 2- Retail Order Market to buy (sell) is a Market Order that will trade first with available Retail Price Improvement Orders to sell (buy) and all other orders to sell (buy) with a working price below (above) the NBO (NBB). Any remaining quantity of the Retail Order will function as a Market Order.

**(I) Priority and Order Allocation.**

Retail Price Improvement Orders in the same security will be ranked together with all other interest ranked as Priority 3 - Non-Display Orders. Odd-lot orders ranked as Priority 2 - Display Orders will have priority over orders ranked Priority 3 - Non-Display Orders at each price. Any remaining unexecuted RPI interest will remain available to trade with other incoming Retail Orders. Any remaining unfilled quantity of the Retail Order will cancel, execute, or post to the NYSE Arca Book in accordance with Rule 7.44-E(k).

Examples of priority and order allocation are as follows:

PBBO for security ABC is \$10.00 - \$10.05

RLP 1 enters a Retail Price Improvement Order to buy ABC at \$10.01 for 500

RLP 2 then enters a Retail Price Improvement Order to buy ABC at \$10.02 for 500

RLP 3 then enters a Retail Price Improvement Order to buy ABC at \$10.03 for 500

An incoming Type 1- Retail Order to sell ABC for 1,000 would trade first with RLP 3's bid for 500 at \$10.03, because it is the best-priced bid, then with RLP 2's bid for 500 at \$10.02, because it is the next best-priced bid. RLP 1 would not be filled because the entire size of the Retail Order to sell 1,000 would be depleted. The Retail Order trades with RPI Orders in price/time priority.

However, assume the same facts above, except that RLP 2's Retail Price Improvement Order to buy ABC at \$10.02 was for 100. The incoming Retail Order to sell 1,000 would trade first with RLP 3's bid for 500 at \$10.03, because it is the best-priced bid, then with RLP 2's bid for 100 at \$10.02, because it is the next best-priced bid. RLP 1 would then receive an execution for 400 of its bid for 500 at \$10.01, at which point the entire size of the Retail Order to sell 1,000 would be depleted.

Assume the same facts as above, except that RLP 3's order was not an RPI Order to buy ABC at \$10.03, but rather, a non-displayed order to buy ABC at \$10.03. The result will be similar to the result immediately above, in that the incoming Retail Order to sell 1,000 trades first with RLP 3's non-displayed bid for 500 at \$10.03, because it is the best-priced bid, then with RLP 2's bid for 100 at \$10.02, because it is the next best-priced bid. RLP 1 then receives an execution for 400 of its bid for 500 at \$10.01, at which point the entire size of the Retail Order to sell 1,000 is

depleted.

As a final example, assume the original facts, except that LMT 1 enters a displayed odd lot limit order to buy ABC at \$10.02 for 60. The incoming Retail Order to sell for 1,000 trades first with RLP 3's bid for 500 at \$10.03, because it is the best-priced bid, then with LMT 1's bid for 60 at \$10.02 because it is the next best-priced bid and is ranked Priority 2 - Display Orders and has priority over same-priced RPIs. The incoming Retail Order would then trade 440 shares with RLP 2's bid for 500 at \$10.02 because it is the next priority category at that price, at which point the entire size of the Retail Order to sell 1,000 is depleted. The balance of RLP 2's bid would remain on the NYSE Arca Book and be eligible to trade with the next incoming Retail Order to sell.

To demonstrate how the different types of Retail Orders would trade with available Exchange interest, assume the following facts:

PBBO for security DEF is \$19.99 - \$20.01 (100 x 100)

LMT 1 enters a Limit Order to buy DEF at \$20.00 for 100

RLP 1 then enters a Retail Price Improvement Order to buy DEF at \$20.003 for 100

MPL 1 then enters a Midpoint Passive Liquidity Order to buy DEF at \$21.00 for 100

An incoming Type 2- Retail Order IOC to sell DEF for 300 at \$20.00 would trade first with MPL 1's bid for 100 at \$20.005, because it is the best-priced bid, then with RLP 1's bid for 100 at \$20.003, because it is the next best-priced bid, and then with LMT 1's bid for 100 at \$20.00 because it is the next best-priced bid, at which point the entire size of the Retail Order to sell 300 is depleted.

Assume the same facts as above except the incoming order is a Type 2-Retail Order Day to sell DEF for 500 at \$20.00. The Retail Order would trade first with MPL 1's bid for 100 at \$20.005, because it is the best-priced bid, then with RLP 1's bid for 100 at \$20.003, because it is the next best-priced bid, and then with LMT 1's bid for 100 at \$20.00 because it is the next best-priced bid. The remaining balance of the Retail Order is displayed on the NYSE Arca Book at \$20.00 as a Limit Order, resulting in a PBBO of \$19.99 - \$20.00 (100 x 200).

Assume the same facts as above except the incoming order is a Type 1- Retail Order to sell DEF for 300. The Retail Order would trade first with MPL 1's bid for 100 at \$20.005, because it is the best-priced bid, and then with RLP 1's bid for 100 at \$20.003. The remaining balance of the Retail Order would be cancelled and not trade with LMT 1 because Type 1-designated Retail Orders do not trade with interest on the NYSE Arca Book other than non-displayed orders and odd-lot orders priced better than the PBBO on the opposite side of the Retail Order.

Finally, to demonstrate the priority of displayed interest over Retail Price Improvement Orders, assume the following facts:

PBBO for security GHI is \$30.00 - \$30.05

RLP 1 enters a Retail Price Improvement Order to buy GHI at \$30.02 for 100

LMT 1 then enters a Limit Order to buy GHI at \$30.02 for 100

New PBBO of \$30.02 - \$30.05

RLP 2 then enters a Retail Price Improvement Order at \$30.03 for 100

An incoming Type 2-Retail Order IOC to sell GHI for 300 at \$30.01 would trade first with RLP 2's bid for 100 at \$30.03, because it is the best-priced bid, then with LMT 1 for 100 at \$30.02 because it is the next best-priced bid. The Retail Order would then attempt to trade with RLP 1, but because RLP 1 was priced at the PBBO and no longer price improving, RLP 1 will cancel. At that point, the remaining balance of the Retail Order will cancel because there are no remaining orders within its limit price.

Assume the same facts as above except the incoming Retail Order is for 200. The Retail Order would trade with RLP 2's bid for 100 at \$30.03, because it is the best-priced bid, then with LMT 1 for 100 at \$30.02 because it is the next best-priced bid. RLP 1 does not cancel because the incoming Retail Order was depleted before attempting to trade with RLP 1. RLP 1 would be eligible to trade with another incoming Retail Order because it would be priced better than the PBBO.

The Program is limited to trades occurring at prices equal to or greater than \$1.00 per share, and Exchange systems will reject Retail Orders and RPIs priced below \$1.00. However, Type 2-designated Market Retail Orders may interact at prices below \$1.00 with liquidity outside the Program in the NYSE Arca Book. The Program will operate only during the Core Trading Session and Retail Orders will be accepted during Core Trading Hours only.]

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