

Exhibit C

Underlying indicates additions; [brackets] indicate deletions

Rule 100. Definitions

(a) The following terms, when used in these Rules, shall have the meanings specified in this Chapter 1, unless the context indicates otherwise. Any term defined in [Article I of] the Constitution and not otherwise defined in this Chapter shall have the meaning assigned in [Article I] of the Constitution.

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(8) The term “**Clearing Member**” means a Member that is self-clearing or an Electronic Access Member that clears Exchange Transactions for other Members of the Exchange.

[(8)](9) The term “**closing purchase transaction**” means an Exchange Transaction that will reduce or eliminate a short position in an options contract.

[(9)](10) The term “**closing writing transaction**” means an Exchange Transaction that will reduce or eliminate a long position in an options contract.

[(10)](11) The term “**covered short position**” means (i) the obligation of a writer of a call option is secured by a “specific deposit” or an “escrow deposit” meeting the conditions of Rule 710(f) or 710(h), respectively, of the Rules of the Clearing Corporation, or the writer holds in the same account as the short position, on a share-for-share basis, a long position either in the underlying security or in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or less than the exercise price of the options contract in such short position; and (ii) the writer of a put option holds in the same account as the short position, on a share-for-share basis, a long position in an options contract of the same class of options where the exercise price of the options contract in such long position is equal to or greater than the exercise price of the options contract in such short position.

[(11)](12) The term “**discretion**” means the authority of a broker or dealer to determine for a customer the type of option, the class or series of options, the number of contracts, or whether options are to be bought or sold.

[(12)](13) The term “**European-style option**” means an options contract that, subject to the provisions of Rule 1100 (relating to the cutoff time for exercise instructions) and to the Rules of the Clearing Corporation, can be exercised only on its expiration date.

(14) The term “**Exchange Act**” means the Securities Exchange Act of 1934 and the rule and regulations thereunder, as amended from time to time.

[(13)](15) The term “**exercise price**” means the specified price per unit at which the underlying security may be purchased or sold upon the exercise of an options contract.

[(14)](16) The term “**Federal Reserve Board**” means the Board of Governors of the Federal Reserve System.

[(15)](17) The terms “**he**,” “**him**” or “**his**” shall be deemed to refer to persons of female as well as male gender, and to include organizations, as well as individuals, when the context so requires.

[(16)](18) The term “**long position**” means a person’s interest as the holder of one or more options contracts.

[(17)] The term “**Member**” means an individual or organization that has been approved by the Exchange as an “Electronic Access Member,” “Competitive Market Maker Member” or “Primary Market Maker Member.”]

[(19) The term “**Membership**” refers to the trading privileges associated with a share of Class B Common Stock.

[(18)](20) The term “**market makers**” refers to “Competitive Market Makers” and “Primary Market Makers” collectively.

[(21) The term “**market maker shares**” refers to shares of Series B-1 Stock and Series B-2 Stock collectively.

[(19)](22) The term “**Non-Customer**” means a person or entity that is a broker or dealer in securities.

[(20)](23) The term “**Non-Customer Order**” means any order that is not a Public Customer Order as defined in subparagraph (30) below.

[(21)](24) The term “**offer**” means a quote or limit order to sell one or more options contracts.

[(22)](25) The term “**opening purchase transaction**” means an Exchange Transaction that will create or increase a long position in an options contract.

[(23)](26) The term “**opening writing transaction**” means an Exchange Transaction that will create or increase a short position in an options contract.

[(24)](27) The term “**options contract**” means a put or a call issued, or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

[(25)](28) The term “**OPRA**” means the Options Price Reporting Authority.

[(26)](29) The term “**order**” means a commitment to buy or sell securities as defined in Rule 715 (types of orders).

[(27)](30) The term “**outstanding**” means an options contract which has been issued by the Clearing Corporation and has neither been the subject of a closing writing transaction nor has reached its expiration date.

[(28)](31) The term “**primary market**” means the principal market in which an underlying security is traded.

[(29)](32) The term “**Public Customer**” means a person that is not a broker or dealer in securities.

[(30)](33) The term “**Public Customer Order**” means an order for the account of a Public Customer.

[(31)](34) The term “**put**” means an options contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell to the Clearing Corporation the number of shares of the underlying security covered by the options contract.

[(32)](35) The term “**quote**” or “**quotation**” means a bid or offer entered by a market maker that updates the market maker’s previous bid or offer, if any.

[(33)](36) The term “**Rules of the Clearing Corporation**” means the Certificate of Incorporation, the By-laws and the Rules of the Clearing Corporation, and all written interpretations thereof, as the same may be in effect from time to time.

[(34)](37) The term “**SEC**” means the United States Securities and Exchange Commission.

[(35)](38) The term “**series of options**” means all options contracts of the same class having the same exercise price and expiration date.

[(36)](39) The term “**short position**” means a person’s interest as the writer of one or more options contracts.

[(37)](40) The term “**SRO**” means a self-regulatory organization as defined in Section 3(a)(26) of the Exchange Act.

[(38)](41) The term “**type of option**” means the classification of an options contract as either a put or a call.

[(39)](42) The term “**uncovered**” means a short position in an options contract that is not covered.

[(40)](43) The term “**underlying security**” means the security that the Clearing Corporation shall be obligated to sell (in the case of a call option) or purchase (in the case of a put option) upon the valid exercise of an options contract.

Rule 200. Establishment of Committees

The Chief Executive Officer, with the approval of the Board, shall appoint any committee members that are not Directors to committees established by the Board in [under Article VI, Section 1 of] the Constitution, or established by the Chief Executive Officer pursuant to authority delegated to him by the Board.

Rule 210. Liability for Payment of Fees

(a) A Member that does not pay any dues, fees, assessments, charges, fines or other amounts due to the Exchange within thirty (30) days after they have become payable shall be reported to the President, who may, after giving reasonable notice to the Member of such arrearages, suspend the Member's trading privileges until payment is made. Should payment not be made within six (6) months after payment is due, the Membership may be disposed of by the Exchange in accordance with Rule 310(b).

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[Rule 300. Public Securities Business

(a) Every owner of a Membership shall have as the principal purpose of its ownership the conduct of a public securities business. Such a purpose shall be deemed to exist if and so long as:

(1) the Member has qualified and acts in respect of its business on the Exchange in one or more of the following capacities: (i) an Electronic Access Member approved to effect or clear Exchange Transactions; or (ii) a Primary or Competitive Market Maker approved in accordance with Rule 800; and

(2) all transactions effected by the Member are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted thereunder; or the owner is a lessor to a lessee Member that has such a purpose; or]

(3) the owner is a general partner or executive officer of a Member Organization with such a purpose and the Membership is registered for that organization; or

(4) Until [insert date that is ten (10) years after initiation of trading on the Exchange], the owner is a Founder.

(b) No owner of a Membership shall utilize any scheme, device, arrangement, agreement or understanding designed to circumvent or avoid, by reciprocal means or in any other manner, the provisions of this Rule.]

[Rule 301.] Rule 300. Owners [Ownership] of Market Maker Shares and Memberships

(a) Member Owners. Market maker shares may be owned by registered broker-dealers approved as Members of the Exchange according to the requirements contained in this Chapter 3.

(b) Non-Member Owners. Market maker shares [Memberships] may be owned by individuals and organizations[. Owners of Memberships] that are [neither registered brokers-dealers nor associated with registered broker-dealers] not Members of the Exchange or that are otherwise Members, but do not seek to exercise the trading privileges associated with the shares (collectively “non-member owners”). Non-member owners shall [have] not be permitted to exercise trading privileges on the Exchange with respect to such shares, and are not considered Members of the Exchange with respect to such shares for any purposes of these Rules.

[(b)] (1) Non-member owners of market maker shares shall lease the trading privileges associated with the shares (i.e., the “Membership”) [Memberships owned by persons or entities that are not registered broker-dealers nor associated with registered broker-dealers shall be leased] to registered broker-dealers approved by the Exchange as Members.

(2) Every non-member owner of market maker shares shall submit a non-member owner application in the form and manner prescribed by the Exchange. Non-member owner applications must be accompanied by a non-refundable application fee.

(3) Approved non-member owner applicants must complete the transfer of market maker shares to the applicant within ninety (90) days of the date of approval by the Exchange. Should an approved applicant fail to complete the transfer of a share within ninety (90) days, its approval shall expire unless an extension is granted by the Exchange based on a showing that a transfer is pending or near completion.

[(c) For purposes of Rules 301 through 316 only, the terms “Member” and “Member Organization” also shall apply to non-broker-dealer owners of Memberships, and shall continue to apply to owners whether or not a Membership is leased.]

[Rule 302.] Rule 301. Qualification of Members

(a)[*Individuals.*] A Member of the Exchange may be a corporation, partnership, or LLC. [or natural person who is at least twenty-one (21) years of age. Except for lessors and Founders, each] Each Member must:

(1) be a broker-dealer registered pursuant to Section 15 of the Exchange Act; and

(2) meet the qualifications for a Member in accordance with Exchange Rules applicable thereto.

(b) A Member that does not maintain an office in the United States responsible for preparing and maintaining financial and other reports required to be filed with the Commission and the Exchange must:

(1) prepare all such reports, and maintain a general ledger chart of account and any description thereof, in English and U.S. dollars;

(2) reimburse the Exchange for any expense incurred in connection with examinations of the Member to the extent that such expenses exceed the cost of examining a Member located within the continental United States; and

(3) ensure the availability of an individual fluent in English and knowledgeable in securities and financial matters to assist representatives of the Exchange during examinations.

(c) Every Member shall have as the principal purpose of being a Member the conduct of a public securities business. Such a purpose shall be deemed to exist if and so long as:

(1) the Member has qualified and acts in respect of its business on the Exchange in one or more of the following capacities: (i) an Electronic Access Member; (ii) a Primary Market Maker; or (iii) a Competitive Market Maker; and

(2) all transactions effected by the Member are in compliance with Section 11(a) of the Exchange Act and the rules and regulations adopted thereunder.

[Rule 303.] Rule 302. Denial of and Conditions to [Membership] Becoming a Member

(a) An applicant to become a Member of the Exchange must seek approval in the form and manner prescribed by the Exchange.

[(a)] (b) The Exchange may deny (or condition) [Membership] approval of a Member, or may prevent a person from becoming associated (or condition an association) with a Member, for the same reasons that the SEC may deny or revoke a broker-dealer registration and for those reasons required or allowed under the Exchange Act.

[(b)] (c) The Exchange also may deny (or condition) [Membership] approval of a Member, or may prevent a person from becoming associated with (or condition an association[]) with] a Member, when the applicant, directly or indirectly:

(1) has a negative net worth, has financial difficulties involving an amount that is more than five percent (5%) of the applicant's net worth, or has a pattern of failure to pay just debts (whether or not such debts have been the subject of a bankruptcy action);

(2) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Exchange, SEC, the Clearing Corporation and Federal Reserve Board policies, rules and regulations, including those concerning record-keeping, reporting, finance and trading procedures; or

(3) is unable satisfactorily to demonstrate reasonably adequate systems capability and capacity.

[(c)](d) When an applicant is a subject of an investigation conducted by any SRO or government agency involving [his or] its fitness for becoming a Member [Membership], the Exchange need not act on the application until the matter has been resolved.

[(d)](e) The Exchange may determine not to permit a Member or person associated with a Member to continue as a Member or associated therewith, if the Member or associated person:

(1) fails to meet any of the qualification requirements for [membership] becoming a Member or [association] associated with a Member after approval thereof [the membership or association has been approved];

(2) fails to meet any condition placed by the Exchange on such [membership]Member or association with a Member;

(3) violates any agreement with the Exchange; or

(4) becomes subject to a statutory disqualification under the Exchange Act.

~~[(e)]~~(f) If a Member or person associated with a Member that becomes subject to a statutory disqualification under the Exchange Act wants to continue as a Member of the Exchange or in association with a Member, the Member or associated person must, within thirty (30) days of becoming subject to a statutory disqualification, submit an application to the Exchange seeking to continue as a Member or in association with a Member notwithstanding the statutory disqualification. Failure to timely file such an application is a factor that may be taken into consideration by the Exchange in making determinations pursuant to paragraph (d) ~~(e)~~ of this Rule.

~~[(f)]~~(g) Subject to Chapter 15 (Summary Suspension) of the Rules, any applicant [who] whose application to become a Member is [has been] denied Membership or conditioned, or any person whose association with a Member is denied or conditioned [or granted only conditional Membership or association] pursuant to paragraph [(a) or](b) or (c) of this Rule, and any Member or person associated with a Member who is not permitted pursuant to paragraph [(d)] (e) of this Rule to continue as a Member or to be associated with a Member, or which continuance as a Member or association is conditioned, may appeal the Exchange's decision under Chapter 17 (Hearings and Review) of the Rules.

Rule 303. Approval to Operate Multiple Memberships

(a) An applicant to become a Member or an approved Member may seek approval to exercise trading privileges associated with more than one Membership in the form and manner prescribed by the Exchange.

[(g)] (b) An applicant or approved Member will be denied approval with respect to a particular Membership if, (together with any affiliates) [person who directly or indirectly controls, is controlled by, or is under common control with,] approval would result in the applicant [owning and/or leasing] or approved Member being approved to operate more than one (1) Primary Market Maker Membership or more than ten (10) Competitive Market Maker Memberships, unless this requirement is waived by the Board for good cause shown.

Supplementary Material to Rule 303

.01 When making its determination whether good cause has been shown to waive the limitations contained in Rule 303~~[(g)]~~(b), the Board will consider whether an operational, business or regulatory need to exceed the limits has been demonstrated. In those cases where such a need is demonstrated, the Board also will consider any operational, business or regulatory concerns that might be raised if such a waiver were granted. The Board only will waive such

limitations when, in its judgment, such action is in the best interest of the Exchange.

Rule 304. Persons Associated with Members [Organizations]

(a) Persons associated with Members [Organizations] shall be bound by the Constitution and Rules of the Exchange and the rules of the Clearing Corporation. The Exchange may bar a person from becoming or continuing to be associated with a Member [Organization] if such person does not agree in writing, on a form prescribed by the Exchange, to furnish the Exchange with information with respect to such person's relationship and dealings with the Member [Organization], and information reasonably related to such person's other securities business, as may be required by the Exchange, and to permit the examination of its books and records by the Exchange to verify the accuracy of any information so supplied.

(b) Each Member [Organization] shall file with the Exchange and keep current a list and descriptive identification of those persons associated with the Member [Organization] who are its executive officers, directors, principal shareholders, and general partners. Such persons shall file with the Exchange a Uniform application for Securities Industry Registration or Transfer (Form U-4).

(c) A claim of any person associated with a Member [Organization] described in the first sentence of paragraph (b) of this Rule against such organization shall be subordinate in right of payment of customers and other Members.

Rule 305. Documents Required of Applicants and Members

(a) Although the Exchange may request additional information, at a minimum, the partnership agreement and all amendments thereto, in the case of a partnership, the articles of incorporation, by-laws and all amendments thereto, in the case of a corporation, and in the case of a limited liability company, the articles of organization and operating agreement, and all amendments thereto, and any lease agreement to which a Membership is subject [pursuant to Rule 312], shall be filed with, and shall be subject to review by, the Exchange; however, no action or failure to act by the Exchange shall be construed to mean that the Exchange has in any way passed on the investment merits of or given approval to any such document.

(b) Every Member shall file with the Exchange and keep current an address where notices may be served.

(c) In a manner and form prescribed by the Exchange, every Member shall pledge to abide by the Constitution and Rules of the Exchange, as amended from time to time, and by all circulars, notices, directives or decisions adopted pursuant to or made in accordance with the Constitution and Rules.

(d) Members [and Member Organizations] shall keep and maintain a current copy of the Constitution and Rules in a readily accessible place. Members [Organizations] that are approved to do business with the public pursuant to Rule 600 shall make the Constitution and Rules available for examination by customers.

[Rule 306. (Reserved)]

[Rule 307.] Rule 306. Member Application Procedures [and Approval or Disapproval]

(a) Every [individual or organization applying to become an owner or lessee of a Membership (the “[applicant]”)]to become a Member of the Exchange shall file an application [with the Exchange]. Applications must be accompanied by a non-refundable application fee.

(b) Within a reasonable time following receipt of an application [for Membership], the name of the applicant shall be posted by the Exchange.

[(c) Before an application is approved by the Exchange:

(1) Every individual applicant and, in the case of applicant organizations, all persons associated with the organization, shall be subject to investigation by the Exchange. The applicant shall file any documents that may be required by the Exchange.

(2) An applicant seeking trading privileges shall have completed the requirements of Rule 600 (registration of Electronic Access Members) or Rule 800 (registration of market makers), including taking any required examinations.

(3) Unless an exception is granted by the Exchange for good cause, the name of the applicant shall have been posted by the Exchange for at least five (5) business days.]

[(d)](c) An applicant must be approved by the Exchange to perform in at least one of the recognized capacities of a Member as stated in Rule [300(a)]301(c).

[(e)](d) Upon completion of the application process, the Exchange shall consider whether to approve the application, unless there is just cause for delay. [Individual applicants and p] Persons associated with the applicant [organizations] are subject to investigation by the Exchange and may be required to appear in person before the Exchange. The Exchange may also require any [Member or] person associated with a Member [Organization] who may possess information relevant to the applicant’s suitability [for Membership] to be a Member to provide information or testimony.

[(f)](e) The Exchange will determine whether to approve an application. Written notice of the action of the Exchange, specifying in the case of disapproval of an application the grounds therefor, shall be provided to the applicant.

[(g)](f) If the application process is not completed within six (6) months of the filing of the application form and payment of the appropriate fee, the application shall be deemed to be automatically withdrawn.

[Rule 308. Effectiveness of Membership Applications

(a)](g) Approved [A]applicants must become effective Members within ninety (90) days of the date of approval by the Exchange by owning or leasing a Membership. Should an approved applicant fail to own or lease a Membership within ninety (90) days, its approval shall expire unless an extension is granted by the Exchange based on a showing that a transfer is pending or near completion. [as follows:

(1) An individual or organizational applicant for Membership upon purchase of and payment for an Exchange Membership and release by the Exchange.

(2) A lessee applicant upon the transfer of a Membership to his or its use pursuant to Rule 312 and release by the Exchange.

(b)](h) With respect to each Membership that becomes effective in accordance with this Rule, the Exchange shall promptly notify all Members thereof.

[Rule 309. Purchase of Memberships

(a) *Founders.* The procedures of paragraph (b) below and Rule 310 shall not govern sales of Memberships involving Founders made pursuant to agreements entered into prior to the date on which the Exchange commences operation. Until the date the Exchange commences operations, the Founders may sell Membership according to such terms and conditions that shall be agreed upon with purchasers. When a Founder sells a Membership prior to the date on which the Exchange commences operation, the purchaser shall submit an application for Membership in accordance with Rule 307 within two (2) weeks following the later of such sale or the date on which the Exchange is registered with the SEC.

(b) *Outstanding Memberships.* Memberships with respect to which notices of sale have been filed under Rule 310 may be purchased by approved applicants in accordance with the following procedures:

(1) All bids from approved applicants must be submitted in writing to the Exchange.

(2) The Exchange will maintain all bids by Class of Membership according to the highest price and the earliest submission date.

(3) The highest bid with the earliest filing date will be posted by Class by the Exchange.

(4) All bids remain in effect until written revocation thereof is received by the Exchange; however, bids will automatically expire unless an approved applicant reappplies for and is reapproved every ninety (90) days from the applicant's receipt of notification of the immediate prior approval pursuant to Rule 307(f).

(5) A bid filed in accordance with the procedures of this paragraph (b) may not be changed or withdrawn once matched with an offer filed in accordance with Rule 310.

(6) Not later than the second business day following the matching of the bid and offer, the purchaser shall deliver to the Exchange a certified or cashier's check made payable to the Exchange covering the purchase price of the Membership.

**Rule 310.] Rule 307. Sale and Transfer of Market Maker Shares
[Memberships]**

(a) [*Sale by Owner.*] The owner of [a transferable] market maker shares [who desires to sell a Membership shall submit a written offer of sale to the Exchange.] may sell or otherwise transfer ownership of its shares upon the approval of the Exchange. A sale or other transfer of market maker shares shall not be effective until an executed purchase or transfer agreement between the owner and an approved transferee has been filed with, and approved by, the Exchange in writing. The Exchange will provide a bulletin board on which interests to sell or purchase such shares may be posted; however, owners are not required to post interest to sell nor to give preference to posted interests to purchase shares.

(1) The Exchange will maintain all offers of sale by Class of Membership according to the lowest price and the earliest submission date.

(2) The lowest offer with the earliest filing date will be posted by the Exchange.

(3) All offers remain in effect until written revocation thereof is received by the Exchange.

(4) An offer filed in accordance with this paragraph may not be changed or withdrawn once matched with a bid filed in accordance with Rule 309(b).

(5) A Member who has filed an offer of sale shall, so long as it remains in good standing and until the purchase price has been paid, continue to have all of the rights and privileges, and shall remain subject to all of the duties and obligations, of Membership.]

(b) [*Sale by Exchange.*] Whenever one or more of the following conditions exist with respect to [a Membership] market maker shares, the Exchange may offer the [Membership] shares for sale by posting a notice of such sale on a bulletin board for at least thirty (30) days [in accordance with paragraph (a) of this Rule]:

(1) An individual [Member] owner of market maker shares has died or has been declared legally incompetent, and the legal representative of such [Member] owner has failed to consummate a transfer of the [Membership(s)] shares within six (6) months of the owner's[Member's] death or incompetence or within such extended time as may have been granted by the Exchange;

(2) An owner's [Member's] good standing has been terminated or has been suspended and has failed to be reinstated at the expiration of the period of suspension including any extension of such period that may have been granted by the Exchange; and

(3) An owner that is an organization [Member Organization] has been dissolved, formally or informally, and no transfer of its [Membership(s)] shares has been accomplished within six (6) months of the dissolution or within such extended time as may have been granted by the Exchange.

(4) An owner [Member] exceeds the concentration limitations contained in the Constitution [Rule 317].

Supplementary Material to Rule 310

.01 Pursuant to paragraph (a) above, the Exchange shall either approve or disapprove an executed transfer agreement between an owner and an approved applicant within thirty (30) days of receipt of the agreement. A transfer agreement may be disapproved under the following circumstances: (i) the contract attempts to transfer only part of the rights associated with a market maker share; or (ii) the transfer would result in the transferee exceeding the ownership concentration limits contained in Section 13.10 of the Constitution or otherwise violate the Exchange's Rules. The owner or an approved applicant that is a party to an executed transfer agreement that is denied approval may appeal the Exchange's decision under Chapter 17 (Hearings and Review).

[(5) A Founder that owns a number of Memberships that exceeds the concentration limits contained in Article II, Section 10 of the Constitution fails to lease or sell at least forty percent (40%) of the Memberships that exceed those limitations by [insert date six (6) years after initiation of trading on the Exchange], provided, however, that if there is more than one (1) Membership subject to sale by the Exchange under this subparagraph (5), the Exchange shall hold one or more auctions for the sale of such Memberships pursuant to the following procedures:

(i) An auction shall be held at least once every three (3) months.

(ii) One or more Memberships may be offered for sale at each auction.

(iii) The minimum price at which a Membership may be sold shall be not less than twenty percent (20%) below the average of the last three (3) bona fide sale prices of Memberships within the last twelve (12) months or, if there were fewer than three (3) bona fide sales during this period, a reasonable price to be determined by the Board.

(iv) Any person or entity approved for Membership by the Exchange shall be eligible to place a bid for a Membership during the thirty (30) days preceding the date of an auction.

(v) During the thirty (30) days preceding an auction, the Exchange shall make known the price of the highest bid.

(vi) The proceeds from a sale of a Membership shall be subject to Rule 311, and shall be reduced by any unusual expenses incurred by the Exchange in connection with the sale.

(c) Transfer by Owner. The owner of a Membership may transfer such Membership without adhering to the provisions contained in paragraph (a) of this Rule so long as one of the following qualifying circumstances is applicable to and description of the desired transfer and the transferee is approved in accordance with the Rules of the Exchange:

(1) The owner of a Membership (whether or not such Membership is registered for a Member Organization) requests the transfer of such Membership to his spouse, brother, sister, parent, child, grandparent or grandchild;

(2) The owner of a Membership requests the transfer of such Membership to an organization which has succeeded, through statutory merger, exchange of stock or acquisition of assets to the business of the transferor;

(3) The owner of a Membership requests the transfer of such Membership to an organization in which the transferor will maintain a substantial interest, that is, an interest at least equal in value to his cost or the current market price of the Membership, whichever is lower; or

(4) The owner of a Membership requests the transfer of such Membership to an individual or organization which is a partner or shareholder of the transferor as part or all of a liquidation distribution of the transferor.

(d) Transfers pursuant to paragraph (c) of this Rule shall not become effective until there has been deposited with the Exchange an amount equal to the last sale of a Membership of the same Class as the Membership being transferred or an acceptable letter of guarantee from a Clearing Member for such amount, which amount shall be applied as though it were proceeds of the sale of a Membership for the purposes of Rule 311.

Rule 311. Proceeds from Sale of Memberships

(a) Upon any sale of a Membership pursuant to Rule 310, the Exchange shall hold the proceeds of the sale for a period of twenty (20) days from the date of posting notice of the sale, during which period claims against the proceeds may be filed by Members for payment in accordance with this Rule.

(b) As soon as practicable following such twenty (20) day period, the proceeds shall be applied by the Exchange to the following purposes and in the following order of priority:

(1) The payment of such sums as the Exchange shall determine are or may become due to the Exchange from the Member or from the Member Organization on whose behalf the Membership was registered.

(2) The payment of such sums as the Exchange shall determine are or may become due to the Clearing Corporation from the Member whose Membership is transferred or from the Member Organization on whose behalf the Membership was registered.

(3) The payment of such sums as the Exchange shall determine are due by such Member or by the Member Organization on whose behalf the Membership was registered to other Members in payment of claims made by such other Members arising directly as a result of:

(i) Exchange Transactions,

(ii) transactions of such Member in securities other than on the Exchange which are effected or carried in an account maintained by a Clearing Member, or

(iii) loans or guarantees of loans to such Member or Member Organization for the propose of purchasing an Exchange Membership or for any purpose other than the purchase of securities which loans were made or guaranteed by such other Members.

(c) No claim asserted under paragraph (b)(3) of this Rule shall be considered by the Exchange nor shall any Member asserting such a claim have any rights thereunder, unless a written statement of such claim shall have been filed with the Exchange prior to the expiration of the twenty (20) day period referred to in the first paragraph of this Rule. If the proceeds of the sale of a Membership are insufficient to pay in full all claims allowed under paragraph (b)(3), payment shall be made pro rata upon all such allowed claims.

(d) If a claim is contingent or the amount that ultimately will be due thereon cannot, for any reason, be immediately ascertained or determined, the Exchange in its sole discretion may, out of the proceeds of the sale of the Membership, reserve and retain for later distribution in accordance with the Rules such amount as it may deem appropriate, pending the determination of the amount due on such claim.

(e) After provision of the sums payable under paragraph (b) hereof and provision for the reserve if any under paragraph (d) hereof, there may, in the discretion of the Exchange, be deducted from the remaining proceeds and paid to the Exchange the amount of any unusual expenses incurred by the Exchange involving the disposition of such proceeds.

(f) The surplus, if any, of proceeds of the sale of a Membership, after provision for the above payments and the setting aside of the reserve under paragraph (d) hereof, shall be paid to the Member whose Membership is sold or to his or its legal representatives.

(g) No recognition or effect shall be given by the Exchange to any agreement or to any instrument entered into or executed by a Member or his legal representatives which purports to transfer or assign the interest of such Member in his or its Membership, or in the proceeds or any part thereof, or which purports in any manner to provide for the disposition of such proceeds to a creditor of such Member, nor shall payment of such proceeds be made by the Exchange on the order of such Member.]

Rule 312. Leasing Memberships

[(a)] The owner of [a] market maker shares [Membership] in good standing may lease a market maker Membership to a Member, and a lessee of a market maker Membership in good standing may sublease such Membership with the permission of the owner [to an individual or organization, provided the lessee is approved for Membership in accordance with the Rules of the Exchange.]

(a) A Membership may only be leased to a Member of the Exchange that has been approved to conduct the appropriate market making activities.

(b) Lease agreements, which may not become effective until [must be] approved by the Exchange in writing [in accordance with Rule 307], shall include provisions covering:

- (1) the duration of the lease arrangement;
- (2) the consideration to be paid by the lessee;
- (3) the assignability of the respective interests of the lessee and lessor in such lease agreement; and
- (4) as between the parties, which party shall exercise the voting rights of the Membership and which party shall provide the funds necessary to satisfy all applicable Exchange dues, fees and other charges.

(c) Any division of rights and responsibilities between [lessor] the owner and lessee shall not affect the obligation of the [lessor] owner to pay all amounts due the Exchange upon the default of the lessee.

[(d) The lease of a Membership shall not become effective until:

(1) the lessee has deposited with the Exchange an amount equal to the last sale of a Membership of the same Class as the Membership being leased or an acceptable letter of guarantee from a Clearing Member for such amount, which amount shall be applied to claims of Member creditors of the lessee Member at the end of the term of the lease as though it were proceeds of the sale of a Membership for the purposes of Rule 311; and

(2) in the case where the lessor Member is a broker-dealer that conducted business on the Exchange, there has been deposited by such lessor Member with the Exchange an amount equal to the last sale of a Membership of the same Class as the Membership being leased or an acceptable letter of guarantee from a Clearing Member for such amount, which amount shall be applied to claims of Member creditors of the lessor Member as though it were proceeds of the sale of a Membership for the purposes of Rule 311.

(e) In the event the lessor of a Membership effects a sale thereof pursuant to the provisions of Rule 310(a), claims may be made against the proceeds from the sale of such Membership in accordance with Rule 311 by Members having claims against either the lessee or the lessor, with priority given to claims made against the lessee.]

[Rule 313.] Rule 309. Registration of Memberships by Individuals for Members [Death, Retirement, Withdrawal and Resignation]

(a) An individual owner of market maker shares that is an executive officer, director, principal shareholder or general partner of a registered broker-dealer that is or proposes to become a Member of the Exchange, may register his Membership for such broker-dealer by filing an application in the form prescribed by the Exchange.

(b) The registration of a Membership for a Member by an individual may be withdrawn by the Exchange for any reason that would justify withdrawal of the approval of the individual as an owner of a Membership.

(c) Upon the death, retirement, withdrawal or resignation from a Member [Organization] of an individual [Member] whose Membership is registered for the organization which leaves the organization without a Membership, the Exchange may permit the organization to continue to act as a Member in good standing for such period as the Exchange deems reasonably necessary to enable the organization to acquire a Membership.

**[Rule 314.] Rule 310. Dissolution and Liquidation of Members
[Organizations]**

Every Member [Organization] shall promptly notify the Exchange in writing upon the adoption of a plan of liquidation or dissolution. Upon receipt of such notice, the Member's trading privileges may be suspended in accordance with Chapter 15 (Summary Suspension) of these Rules.

[Rule 315.] Rule 311. Obligations of Terminating Members and Transferors of Market Maker Shares and Memberships

(a) Every Member that [who sells or] transfers a [his] Membership pursuant to the provisions of this Chapter must be current in all filings and payments of dues, fees and charges relating to that Membership, including filing fees and charges required by the SEC and Securities Investor Protection Corporation. [(b) If a Member fails to make all such filings, or to pay all such dues, fees and charges, the Exchange may, notwithstanding the other applicable provisions of this Chapter, [withhold distributions of the proceeds of sale of the Membership, or] delay the effectiveness of the Membership [of] for the transferee, until such failures have been remedied.

(b) Every owner that transfers its market maker shares or Memberships pursuant to the provisions of this Chapter must be current in all payments of dues, fees and charges relating to those shares or Memberships. If an owner fails to pay all such dues, fees and charges, the Exchange may, notwithstanding the other applicable provisions of this Chapter, delay the effectiveness of the transfer of the shares or of the Memberships until such failures have been remedied.

[Rule 316. Transfer of Individual Membership in Trust]

An individual Member in good standing may transfer his Membership in trust, subject to each of the following conditions:

(a) Subject to paragraph (b) of this Rule, the Member transferring his Membership in trust (the "trust Member"), during his lifetime, shall be the sole trustee and sole beneficiary of the trust. The trust Member shall remain personally responsible for all obligations and liabilities associated with the Membership and its use, and the Membership shall remain subject to all of the Rules of the Exchange.

(b) The terms of the trust shall provide the following:

(1) In the event the trust Member dies, is declared legally incompetent, or is in any condition that substantially impairs his ability to transact ordinary business (is “disabled”), as certified in a written opinion furnished to the Exchange by the trust Member’s physician who has personally examined or treated him, a legally qualified individual or institution may be appointed as successor trustee for the sole purpose of transferring the Membership in accordance with the Rules, including the requirements of Rule 311, subject to the right of the Exchange to offer the Membership for sale in accordance with Rule 310(b)(1).

(2) Notwithstanding subparagraph (1) above, the terms of the trust may authorize the successor trustee to continue to hold the Membership in trust for the benefit of the trust Member during any period when the trust Member is declared legally incompetent or is disabled so long as the Membership is leased for that period in accordance with the requirements of Rule 312.

(3) The trust shall provide that the Exchange shall bear no liability for any actions taken or omitted by the trust Member or any successor trustee in respect of the administration of the trust or the management of trust assets.

(c) A Membership held in trust may be transferred during the lifetime of the trust Member or at his death in accordance with the provisions of Rule 310(c)(1), and may also be transferred during the lifetime of the trust Member in accordance with the provisions of Rule 310(c)(3).

(d) A Membership held in trust may be transferred to the trust Member to be held directly and not in trust.

(e) A copy of the trust agreement reflecting the foregoing requirements shall be furnished to the Exchange, accompanied by the certification of the attorney who prepared the agreement that it conforms to the requirements of this Rule.

(f) The Exchange may disapprove a transfer in trust if it finds the trust agreement fails to satisfy the requirements of the Rule by written notice of such disapproval sent to the Member proposing the transfer.

Rule 317. Limitations on Number of Memberships

(a) *General Rule.* The Exchange generally will approve a Member to effect Exchange Transactions pursuant to only one (1) Primary Market Maker Membership. However, upon good cause shown, the Exchange may approve a Member to effect Exchange Transactions with respect to two (2) Primary Market Maker Memberships.

(b) Initial Approval of Memberships.

(1) Primary Market Maker Memberships. The Exchange will not initially approve a Member to effect Exchange Transactions with respect to more than one (1) Primary Market Maker Membership until the Exchange has approved at least five (5) Members to effect Exchange Transactions with respect to Primary Market Maker Memberships.

(2) Competitive Market Maker Memberships. The Exchange will not initially approve a Member to effect Exchange Transactions with respect to multiple Competitive Market Maker Memberships until the Exchange has approved a minimum number of Members to effect Exchange Transactions with respect to Competitive Market Maker Memberships as follows:

<u>Number of Approved Memberships</u>	<u>Maximum Number of Memberships Per Member</u>
10 or fewer	2
11 to 15	3
16 to 25	5
26 to 40	8
over 40	10

Supplementary Material to Rule 317

.01 When making its determination whether good cause has been shown to waive the limitations contained in Rule 317(a), the Board will consider whether an operational, business or regulatory need to exceed the limits has been demonstrated. In those cases where such a need is demonstrated, the Board also will consider any operational, business or regulatory concerns that might be raised if such a waiver were granted. The Board only will waive such limitations when, in its judgment, such action is in the best interest of the Exchange.]

Rule 404. False Statements

No Member, person associated with a Member or applicant for [Membership] to become a Member shall make any false statements or misrepresentations in any application, report or other communication to the Exchange, and no Member or person associated with a Member shall make any false statement or misrepresentation to the Clearing Corporation with respect to the reporting or clearance of any Exchange Transaction or adjust any position at the Clearing Corporation in any class of options traded on the Exchange except for the purpose of correcting a bona fide error in recording or transferring the position to another account.

Rule 411. Significant Business Transactions

* * *

(d) An SBT that comes within paragraph (c) of this Rule may be disapproved or conditioned within the thirty (30) day period if the Exchange determines that such SBT has the potential to threaten the financial or operational integrity of market maker transactions. In making this determination, the Exchange may consider, among other relevant matters, the following:

(1) The effect of the proposed SBT on the capital size and structure of the resulting Clearing Member(s) [Organization(s)], the potential for financial failure and the

consequences of any such failure on the Exchange market as a whole, and the potential for increased or decreased operational efficiencies arising from the proposed transaction.

* * *

Rule 413. Rule Exemptions from Position Limits

* * *

(a) *Firm Facilitation Exemption.* To the extent that the following procedures and criteria are satisfied, a Member [Organization] may receive and maintain for its proprietary account an exemption (“facilitation exemption”) from the applicable standard position limit in non-multiply-listed options traded on the Exchange for the purpose of facilitating, pursuant to the provisions of Rule 716(d), (i) orders for its own Public Customer (one that will have the resulting position carried with the firm) or (ii) orders received from or on behalf of a Public Customer for execution only against the Member firm’s proprietary account.

(1) The Member [Organization] must receive approval from the Exchange prior to executing facilitating trades.

(2) The facilitation exemption shall be granted to the Member [Organization] owning or controlling the account in which the exempt options positions are held. For purposes of this paragraph (c), control shall be determined in accordance with the provision of Rule 412(f).

(3) Exchange approval may be given on the basis of verbal representations, in which event the Member [Organization] shall, within a period of time to be designated by the Exchange, furnish the appropriate forms and documentation substantiating the basis for the exemption. The approval for the facilitation exemption will specify the maximum number of contracts that may be exempt under this paragraph (c). In no event may the aggregate exempted position under this paragraph (c) exceed twice the applicable standard limit.

(4) The facilitation exemption is in addition to the standard limit and other exemptions available under Exchange Rules. A Member [Organization] so approved is hereinafter referred to as a “facilitation firm.”

* * *

Rule 503. Withdrawal of Approval of Underlying Securities

* * *

(f) Whenever the Exchange announces that approval of an underlying security has been withdrawn for any reason or that the Exchange has been informed that the issuer of an underlying security has ceased to be in compliance with SEC reporting requirements, each Member [and Member Organization] shall, prior to effecting any transaction in options contracts with respect to such underlying security for a customer, inform such customer of such fact and of the fact that the Exchange may prohibit further transactions in such options contracts to the extent it shall deem such action necessary and appropriate.

Rule 722. Complex Orders

* * *

(b) *Applicability of Exchange Rules.* Except as otherwise provided in this Rule, complex orders shall be subject to all other Exchange Rules that pertain to orders generally.

* * *

(2) *Complex Order Priority.* Notwithstanding the provisions of Rule 713, a complex order, as defined in paragraph (a) of this Rule, may be executed at a total credit or debit price with one other [m]Member without giving priority to bids or offers established in the marketplace that are no better than the bids or offers comprising such total credit or debit; provided, however, that if any of the bids or offers established in the marketplace consist of a Public Customer limit order, the price of at least one leg of the complex order must trade at a price that is better than the corresponding bid or offer in the marketplace. Under the circumstances described above, the option leg of a stock-option order, as defined in subparagraph (a)(5)(i) of this Rule, has priority over bids and offers established in the marketplace by Non-Customer orders and market maker quotes that are no better than the price of the options leg, but not over such bids and offers established by Public Customer Orders. The option legs of a stock-option order as defined in subparagraph (a)(5)(ii), consisting of a combination order with stock, may be executed in accordance with the first sentence of this subparagraph (b)(2).

* * *

(5) *Limitations on Complex Orders.*

(i) For any complex order where one leg alone is at least fifty (50) contracts, a [m]Member may execute as principal up to forty percent (40%) of an order it represents as agent without complying with the thirty (30) second exposure requirement contained in Rule 717(d)(i) and (ii).

(ii) For any complex order where one leg alone is at least fifty (50) contracts, a [m]Member may execute up to forty percent (40%) of an order it represents as agent against an order solicited from a Member or non-member broker-dealer to transact with such order without complying with the thirty (30) second exposure requirement contained in Rule 717(e).

* * *

Rule 800. Registration of Market Makers

(a) A market maker is a [an individual Member or]Member [Organization] with Designated Trading Representatives registered pursuant to Rule 801. Market makers are registered with the Exchange for the purpose of making transactions as dealer-specialist in accordance with the provisions of this Chapter.

* * *

Rule 801. Designated Trading Representatives

* * *

(b) *Registration of Designated Trading Representatives.* The Exchange may, upon receiving an application in writing from a market maker on a form prescribed by the Exchange, approve a person as a DTR.

(2) DTRs may be:

(i) individual Members registered with the Exchange as market makers, or

(ii) officers, partners, employees or associated persons of Members [Organizations] that are registered with the Exchange as market makers.

* * *

Rule 805. Market Maker Orders

* * *

(b) *Options Classes Other Than Those to Which Appointed.*

(1) A market maker may enter all order types permitted to be entered by non-customer participants under the Rules to buy or sell options in classes of options listed on the Exchange to which the market maker is not appointed under Rule 802, provided that:

* * *

(iii) the market maker does not enter orders in options classes to which it[s Member Organization] is otherwise appointed, either as a Competitive or Primary Market Maker.

* * *

(c) *Exemptive Authority.* Until the earlier of (1) one year from the date on which the Exchange commences operations or (2) the date on which the Exchange opens all options Groups for trading, an Exchange official designated by the Board may grant market makers exemptions from the requirements of subparagraphs (b)(2) and (3) of this rule, subject to the following:

(1) If a market maker has only one [m]Membership, and thus is assigned to only one Group, any exemption would end when the assigned Group is open for trading, regardless of the number of options classes that begin trading in the assigned Group;

(2) If a market maker has multiple [m]Memberships, and thus is assigned to trading in more than one Group, the exemption would end when all the market maker's

Groups are open for trading, again regardless of the number of options classes that begin trading in the assigned Groups; as the market maker's assigned Groups open for trading, the amount of trading the market maker would be permitted to execute outside of its assigned Groups would be reduced;

* * *

Rule 807. Securities Accounts and Orders of Market Makers

* * *

(c) *Joint Accounts.* No market maker shall, directly or indirectly, hold any interest or participate in any joint account for buying or selling any options contract unless each participant in such joint account is a Member [or Member Organization] and unless such account is reported to and not disapproved by the Exchange. Such reports in a form prescribed by the Exchange shall be filed with the Exchange before any transaction is effected on the Exchange for such joint account. A participant in a joint account must:

* * *

Rule 810. Limitations on Dealings

* * *

(f) *Exception to Chinese Wall Requirement.* A market maker shall be exempt from paragraph (a)(3) of this Rule to the extent the market maker complies with the following conditions:

(1) such [m]Member functions as an Electronic Access Member solely in options classes (i) contained in Groups to which the [m]Member is not appointed as a market maker pursuant to Rule 802 or (ii) in which the [m]Member is prohibited from acting as a market maker pursuant to regulatory requirements; and

(2) the [m]Member enters orders as an Electronic Access Member only for (i) the proprietary account of the [m]Member or (ii) the account of entities that are affiliated with the [m]Member.

Rule 1000. Contracts of Suspended Members

(a) When a Member, other than a Clearing Member, is suspended pursuant to Chapter 15 (Summary Suspension), all open short positions of the suspended Member in options contracts and all open positions resulting from exercise of options contracts, other than positions that are secured in full by a specific deposit or escrow deposit in accordance with the rules of the Clearing Corporation, shall be closed without unnecessary delay by all Members [Organizations] carrying such positions for the account of the suspended Member; provided that the Exchange may cause the foregoing requirement to be temporarily waived for such period as it may determine if it shall deem such temporary waiver to be in the interest of the public or the other Members of the Exchange.

* * *

Rule 1100. Exercise of Options Contracts

* * *

(b) The exercise cutoff time for all noncash-settled options shall be 5:30 p.m. Eastern Time on the business day immediately prior to the expiration date. This is the latest time at which an exercise instruction for expiring noncash-settled options positions may be:

(1) prepared by a Clearing Member [Organization] for positions in its proprietary trading account;

(2) submitted to a Clearing Member [Organization] by a market maker or broker for positions in the market maker's account or the broker's error account; or

(3) accepted by a Member [Organization] from any customer for its positions in the customer's account.

(c) Notwithstanding the foregoing, Members [Organizations] may receive and Members may submit exercise instructions after the exercise cutoff time but prior to expiration in the circumstances listed below. A memorandum setting forth the circumstance giving rise to instructions after the exercise cutoff time shall be maintained by the Member [Organization] and a copy thereof shall be promptly filed with the Exchange. An exercise instruction after the exercise cutoff may be received or submitted:

(1) in order to remedy mistakes or errors made in good faith;

(2) where exceptional circumstances relating to a customer's or [Member's] associated person's ability to communicate exercise instructions to the Member [Organization] (or the Member's [Organization's] ability to receive exercise instructions) prior to such cutoff time warrant such action.

* * *

(e) For purposes of this Rule with respect to any Member [Organization], the word "customer" shall mean every person or organization other than a market maker, broker or the Member [Organization] itself. The term "exercise instruction," with respect to a market maker, broker and Clearing Member, shall also mean a notice either not to exercise an options position which would otherwise be exercised, or to exercise an options position which would otherwise not be exercised, by operation of the Rules of the Clearing Corporation, or to modify or withdraw a previously submitted instruction. All exercise instructions must be time stamped at the time they are prepared.

(f) No Member [or Member Organization] may prepare, time stamp or submit an exercise instruction prior to the purchase of the exercised contracts if the Member [or Member Organization] knew or had reason to know that the contracts had not yet been purchased.

* * *

Rule 1101. Allocation of Exercise Notices

(a) Each Member [Organization] shall establish fixed procedures for the allocation of exercise notices assigned in respect of a short position in such Member's [Organization's] customers' accounts. The allocation shall be on a "first in, first out," or automated random selection basis that has been approved by the Exchange, or on a manual random selection basis that has been specified by the Exchange. Each Member [Organization] shall inform its customers in writing of the method it uses to allocate exercise notices to its customers' account, explaining its manner of operation and the consequences of that system.

(b) Each Member [Organization] shall report its proposed method of allocation to the Exchange and obtain the Exchange's prior approval thereof, and no Member [Organization] shall change its method of allocation unless the change has been reported to and approved by the Exchange. The requirements of this paragraph shall not be applicable to allocation procedures submitted to and approved by another SRO having comparable standards pertaining to methods of allocation.

(c) Each Member [Organization] shall preserve for a three-year period sufficient work papers and other documentary materials relating to the allocation of exercise notices to establish the manner in which allocation of such exercise notices is in fact being accomplished.

Rule 1102. Delivery and Payment

* * *

(b) As promptly as possible after the exercise of an options contract by a customer, the Member [Organization] shall require the customer to make full cash payment of the aggregate exercise price in the case of a call options contract, or to deposit the underlying security in the case of a put options contract, or to make the required margin deposit in respect thereof if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board.

(c) As promptly as practicable after the assignment to a customer of an exercise notice the Member [Organization] shall require the customer to deposit the underlying security in the case of a call options contract if the underlying security is not carried in the customer's account, or to make full cash payment of the aggregate exercise price in the case of a put options contract, or in either case to deposit the required margin in respect thereof if the transaction is effected in a margin account, in accordance with the Rules of the Exchange and the applicable regulations of the Federal Reserve Board.

Rule 1202. Margin Requirements

(a) A Member [Organization] must elect to be bound by the initial and maintenance margin requirements of either the Chicago Board of Options Exchange or the New York Stock Exchange as the same may be in effect from time to time.

(b) Such election shall be made in writing by a notice filed with the Exchange.

(c) Upon the filing of such election, a Member [Organization] shall be bound to comply with the margin rules of the Chicago Board of Options Exchange or the New York Stock Exchange, as applicable, as though said rules were part of these Rules.

Rule 1203. Meeting Margin Calls by Liquidation Prohibited

(a) No Member [Organization] shall permit a customer to make a practice of effecting transactions requiring initial or additional margin or full cash payment and then furnishing such margin or making such full cash payment by liquidation of the same or other commitments.

(b) The provisions of this Rule shall not apply to any account maintained for another broker or dealer in which are carried only the commitments of customers of such other broker or dealer, exclusive of the partners, officers and directors of such other broker or dealer, provided such other broker or dealer is a Member [Organization] of the Exchange or has agreed in good faith with the Member [Organization] carrying the account that it will maintain a record equivalent to that referred to in Rule 1205.

Rule 1204. Margin Required Is Minimum

(a) The amount of margin prescribed by these Rules is the minimum which must be required initially and subsequently maintained with respect to each account affected thereby; but nothing in these Rules shall be construed to prevent a Member [Organization] from requiring margin in an amount greater than that specified.

* * *

Rule 1302. Power of President to Impose Restrictions

Whenever it shall appear to the President of the Exchange that a Member [Organization] obligated to give notice to the Exchange under Rule 1301 is unable within a reasonable period to reduce the ratio of its aggregate indebtedness to net capital, or to increase its net capital, to a point where it is no longer subject to such notification obligations, or that such Member is engaging in any activity which casts doubt upon its continued compliance with the net capital requirements, the President may impose such conditions and restrictions upon the operations, business and expansion of such Member and may require the submission of, and adherence to, such plan or program for the correction of such situation as he determines to be necessary or appropriate for the protection of investors, other Members and the Exchange.

Rule 1403. Audits

(a) Each Member [Organization] approved to do business with the public in accordance with Chapter 6 of the Rules and each registered market maker shall file a report of its financial condition as of the date, within each calendar year, prepared in accordance with the requirements of Rule 17a-5 and Form X-17A-5 under the Exchange Act and containing the information called for by that form.

* * *

(c) In addition to the annual report required of certain Members pursuant to paragraph (a) of this Rule, the Exchange may require any Member to cause an audit of its financial condition to be made by an independent public accountant in accordance with the audit requirements of Form X-17A-5 as of the date of an answer to a financial questionnaire, and to file a statement to the effect that such audit has been made and whether it is in accord with the answers to the questionnaire.

(1) Such statement shall be signed by two general partners in the case of a Member [Organization], that is a partnership and by two executive officers in the case of a Member that is a corporation or LLC [or by an individual Member] and it shall be attested to by the independent public accountant who certified the audit.

* * *

Rule 1404. Automated Submission of Trade Data

A Member [or Member Organization] shall submit requested trade data elements, in such automated format as may be prescribed by the Exchange from time to time, in regard to a transaction(s) that is the subject of the particular request for information.

(a) If the transaction was a proprietary transaction effected or caused to be effected by the Member [or Member Organization] for any account in which such Member [or Member Organization], or any approved person, partner, officer, director, or employee thereof, is directly or indirectly interested, the Member shall submit or cause to be submitted, any or all of the following information as requested by the Exchange:

(1) Clearing house number or alpha symbol as used by the Member [or the Member Organization] submitting the data;

(2) Clearing house number(s) or alpha symbol(s) as may be used from time to time, of the Member(s) [or Member Organization(s)] on the opposite side of the transaction;

* * *

(b) If the transaction was effected or caused to be effected by the Member [Organization] for any customer account, such Member [Organization] shall submit or cause to be submitted any or all the following information as requested by the Exchange:

* * *

(c) In addition to the above trade data elements, a Member [or Member Organization] shall submit such other information in such automated format as may be prescribed by the Exchange, as may from time to time be required.

* * *

Rule 1405. Risk Analysis of Market Maker Accounts

(a) Each Clearing Member that clears or guarantees the transactions of market makers pursuant to Rule 808, shall establish and maintain written procedures for assessing and monitoring the potential risks to the Member's [Organization's] capital over a specified range of possible market movements of positions maintained in such market maker accounts and such related accounts as the Exchange shall from time to time direct.

* * *

(c) Upon direction by the Exchange, each affected Member [Organization] shall provide to the Exchange such information as it may reasonably require with respect to the Member's [Organization's] risk analysis for any or all of its market maker accounts.

Rule 1503. Failure to Obtain Reinstatement

If a Member suspended under the provisions of this Chapter fails or is unable to apply for reinstatement in accordance with Rule 1502, or fails to obtain reinstatement as therein provided, [his or] its Membership shall be disposed of by the Exchange in accordance with Rule [310(b)] 307(a)(2), unless such Member sells or leases such Membership.

Rule 1504. Termination of Rights by Suspension

A Member suspended under the provisions of this Chapter shall be deprived during the term of [his or] its suspension of all rights and privileges of being a Member of the Exchange [Membership].

Rule 1600. Disciplinary Jurisdiction

* * *

(c) Any Member or person associated with a Member shall continue to be subject to the disciplinary jurisdiction of the Exchange following such Member's termination or the person's termination of [membership or] association with a Member with respect to matters that occurred prior to such termination; provided that written notice of the commencement of an inquiry into such matters is given by the Exchange to such former Member or former associated person within one (1) year of receipt by the Exchange, or such other exchange or association recognized for purposes of Rule 602, of the latest written notice of the termination of such person's status as a Member or person associated with a Member. The foregoing notice requirement does not apply to a person who at any time after a termination again subjects himself to the disciplinary jurisdiction of the Exchange by becoming a Member or a person associated with a Member.

Rule 1614. Imposition of Fines for Minor Rule Violations

* * *

(d) *Violations Subject to Fines.* The following is a list of the rule violations subject to, and the applicable sanctions that may be imposed by the Exchange pursuant to, this Rule:

* * *

(4) Conduct and Decorum Policies. The Exchange's trading conduct and decorum policies shall be distributed to Members [the membership] periodically and shall set forth the specific dollar amounts that may be imposed as a fine hereunder with respect to any violations of those policies.

Rule 1700. Scope of Chapter

This Chapter provides the procedure for persons economically aggrieved by Exchange action, including, but not limited to, those [persons or]organizations whose application to become a Member have been denied [membership], persons who have been barred from becoming associated with a Member, or organizations and persons that have been prohibited or limited with respect to Exchange services, or the services of any Exchange Member, taken pursuant to any contractual arrangement, the Constitution or the Rules of the Exchange, to apply for an opportunity to be heard and to have the complained of action reviewed. Review of disciplinary actions and arbitrations are not subject to review under this Chapter.

Rule 1800. Arbitration

* * *

(b) *Jurisdiction*. Any dispute, claim, or controversy arising out of or in connection with the business of any [m]Member of the Exchange, or arising out of the employment or termination of employment of associated person(s) with any [m]Member may be arbitrated under this Rule 1800 except that (1) a dispute, claim, or controversy alleging employment discrimination (including a sexual harassment claim) in violation of a statute may only be arbitrated if the parties have agreed to arbitrate it after the dispute arose; and (2) any type of dispute, claim, or controversy that is not permitted to be arbitrated under the NASD Code of Arbitration, such as class action claims, shall not be eligible for arbitration under this Rule 1800.