

Rule 7 Equities Trading

Section 1. General Provisions

Hours of Business

Rule 7.1. Unless otherwise ruled by the Board of Directors, the Corporation shall be open for the transaction of business daily except on Saturdays and Sundays. The hours at which trading sessions shall open and close shall be established by the Board.

Dealings upon the Corporation shall be limited to the hours during which the Corporation is open for the transaction of business. No ETP Holder shall make any bid, offer or transaction through the facilities of the Corporation, or issue a commitment to trade through ITS through the facilities of the Corporation before or after those hours, except that a Market Maker may issue and receive pre-opening notifications and pre-opening responses, pursuant to the provisions of the Plan relating to the Pre-Opening Application of the Systems, before the official opening of the Corporation and loans of securities may be made after those hours.

Holidays

Rule 7.2. The Corporation will not be open for business on New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The Board of Directors will determine whether to open the Corporation on Presidential Election Days.

When a holiday observed by the Corporation falls on a Saturday, the Corporation will not be open for business on the preceding Friday unless unusual business conditions exist, such as the ending of a monthly or yearly accounting period.

Commissions

Rule 7.3(a). *Fixed Rates.* Nothing contained in the Rules of the Corporation or its practices shall be construed to require or authorize its ETP Holders or any associated person, to agree or arrange, directly or indirectly, for the charging of fixed rates of commission for transactions effected on, or effected by the use of, the facilities of the Corporation.

(b) *Acting as Broker.* In all transactions in which an ETP Holder acts solely as a broker, the bills and confirmations rendered must so indicate, and all commissions charged, if any, shall be appropriately identified.

(c) *Acting as Principal.* In all transactions in which an ETP Holder acts as principal or in which the ETP Holder or any of its Allied Persons, partners, approved persons or

stockholder associates have an interest as principal in any manner, the bills and confirmations rendered must so indicate.

Ex-Dividend or Ex-Right Dates

Rule 7.4. Transactions in stocks, traded “regular” shall be “ex-dividend” or “ex-rights” as the case may be, on the second business day preceding the record date fixed by the company or the date of the closing of transfer books, except when the Board of Directors rules otherwise. Should such record date or such closing of transfer books occur upon a day other than a business day this Rule shall apply for the third preceding business day.

Trading Units

Rule 7.5. The unit of trading in stocks shall be 1 share and the unit of trading in bonds shall be \$1,000 in par value thereof unless otherwise designated by the Corporation. For stocks, 100 shares shall constitute a “round lot,” any amount less than 100 shares shall constitute an “odd lot,” and any amount greater than 100 shares that is not a multiple of a round lot shall constitute a “mixed lot.” For bonds, a designated unit of trading shall constitute a “round lot” and any lesser amount shall constitute an “odd lot.”

Trading Differentials

Rule 7.6(a). The Corporation shall determine the trading differentials for equity securities traded on the Corporation.

Commentary:

.01 The Corporation may only change the trading differentials for equity securities traded on the Corporation by filing a rule change proposal with the SEC, pursuant to Section 19(b)(3)(A) of the Securities Exchange Act of 1934 (effective upon filing); provided that no change in the trading differentials may be made while the industry wide Decimalization Implementation Plan is in effect.

.02 Notwithstanding Commentary .01, the Corporation may allow trading at smaller increments in order to match bids and offers displayed by other markets for the purpose of preventing Intermarket Trading System trade-throughs.

.03 The minimum fractional variation for dealing in SPDRs, MidCap SPDRs and Nasdaq-100 Shares shall be 1/64 of \$1.00. However, to the extent that SPDRs, MidCap SPDRs and Nasdaq-100 Shares are traded in decimals, the MPV shall be \$0.01.

.04 The minimum price variation for orders generated from Profiles designated for the midpoint pricing service by the OptiMark System will be the variation of the midpoint price between the highest published bid and the lowest published offer displayed on the Consolidated Quotation System. Any executions resulting from processing Profiles designated for midpoint pricing will be priced and reported in

increments as small as 1/64th or, upon conversion to decimals, one-half of the minimum price variation.

.05 The minimum price variation (“MPV”) for equity securities traded on the Archipelago Exchange shall be 1/64 of \$1.00 for those securities that are quoted in fractions and \$0.01 for those equity securities that are quoted in decimals; provided, however, at all times the MPV shall be consistent with the Decimalization Implementation Plan.

.06 The minimum price improvement increment (“MPII”) on the Archipelago Exchange shall be equal to \$0.01 or 10% of the spread, whichever is more.

(b) *Bonds.* Bids or offers in bonds shall not be made at a lesser variation than 1/8 of 1% of the principal amount, except that the Corporation may fix a lesser variation in specific issues.

Transmission of Bids or Offers

Rule 7.7(a). The names of ETP Holders bidding for or offering securities through the use of the facilities of the Corporation shall not be transmitted from the facilities of the Corporation to a non-holder of an ETP. No ETP Holder having the right to trade through the facilities of the Corporation and who has been a party to or has knowledge of an execution shall be under obligation to divulge the name of the buying or selling firm in any transaction.

(b) Except as otherwise permitted by these Rules, no ETP Holder shall transmit through the facilities of the Corporation any information regarding a bid, offer or other indication of an order to a non-holder of an ETP until such bid, offer or other indication of an order has been disclosed and permission to transmit such information has been obtained from the originating ETP Holder.

Bid or Offer Deemed Regular Way

Rule 7.8. Bids and offers made without stated conditions shall be considered to be “regular way.” “Regular way” bids or offers have priority over conditional bids or offers.

Execution Price Binding

Rule 7.9. Notwithstanding Rules 7.10 and 7.11, the price at which an order is executed shall be binding notwithstanding the fact that an erroneous report in respect thereto may have been rendered.

Cancellation of Revisions in Transactions

Rule 7.10. A sale made in demonstrable error and cancelled by both parties may be removed, if the parties do not object, subject to the approval of the Corporation. Disagreements with respect thereto shall be referred to the appropriate trading authority of the Corporation. A dispute arising

on bids, offers or sales, if not settled by agreement between the parties interested, shall be settled by the Corporation.

Clearly Erroneous Policy

Rule 7.11(a). *Definition.* For the purposes of this Rule, the terms of a transaction executed on the Corporation are “clearly erroneous” when there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security.

(b) *Request for Corporation Review.* An ETP Holder that receives an execution on an order that was submitted erroneously to the Corporation for its own or customer account may request that the Corporation review the transaction under this Rule. Such request for review shall be made via telephone and in writing via facsimile or e-mail. The telephonic request should be submitted immediately and the written request should be submitted within fifteen (15) minutes of the time the trade in question was executed. Once the request has been received, an officer of the Corporation designated by the President shall review the transaction under dispute and determine whether it is clearly erroneous, with a view toward maintaining a fair and orderly market and the protection of investors and the public interest. Each party to the transaction shall provide, on a timely basis, any supporting written information as may be reasonably requested by the designated officer to aid resolution of the matter.

(c) *Review Procedures.* Unless both parties (or party, in the case of a cross) to the disputed transaction agree to withdraw the initial written request for review, the transaction under dispute shall be reviewed, and a determination shall be rendered by the designated Corporation officer. If the officer determines that the transaction is not clearly erroneous, the officer shall decline to take any action in connection with the completed trade. In the event that the officer determines that the transaction in dispute is clearly erroneous, the officer shall declare the transaction null and void or modify one or more of the terms of the transaction to achieve an equitable rectification of the error that would place the parties in the same position, or as close as possible to the same position that they would have been in, had the error not occurred. The officer shall promptly notify the parties of the determination reached and shall issue a written resolution of the matter. The ETP Holder aggrieved by the officer’s determination may appeal such determination in accordance with the provisions of Rule 10.13.

(d) *System Disruption and Malfunctions.* In the event of any disruption or a malfunction in the use or operation of any electronic communications and trading facilities of the Corporation, the Chief Executive Officer or the President may declare a transaction arising out of the use or operation of such facilities during the period of such disruption or malfunction null and void or modify the terms of these transactions. Absent extraordinary circumstances, any such action of the Chief Executive Officer or President pursuant to this subsection (d) shall be taken within thirty (30) minutes of detection of the erroneous transaction. Each ETP Holder involved in the transaction shall be notified as soon as practicable, and the ETP Holder aggrieved by the action may appeal such action in accordance with the provisions of Rule 10.13.

Trading Halts Due to Extraordinary Market Volatility

Rule 7.12(a). Trading in stocks will halt on the Corporation and will not reopen for the time periods described in this paragraph (a) if the Dow Jones Industrial Average* reaches Level 1 below its closing value on the previous trading day:

- (1) before 11:00 a.m. Pacific Time, for one hour;
- (2) at or after 11:00 a.m. but before 11:30 a.m. Pacific Time, for 30 minutes.

If the Dow Jones Industrial Average reaches Level 1 below its closing value on the previous trading day at or after 11:30 a.m. Pacific Time, trading will continue through the facilities of the Corporation until the close, unless the Dow Jones Industrial Average reaches Level 2 below its closing value on the previous trading day, at which time trading will be halted for the remainder of the day.

(b) Trading in stocks will halt on the Corporation and will not re-open for the time periods described in this paragraph (b) if the Dow Jones Industrial Average reaches Level 2 below its closing value on the previous trading day:

- (1) before 10:00 a.m. Pacific Time, for two hours;
- (2) at or after 10:00 a.m. but before 11:00 a.m. Pacific Time, for one hour;
- (3) at or after 11:00 a.m. Pacific Time, for the remainder of the day.

(c) If the Dow Jones Industrial Average reaches Level 3 below its closing value on the previous trading day, trading in stocks will halt on the Corporation and will not reopen for the remainder of the day.

Commentary:

.01 Levels 1, 2 and 3 will be calculated at the beginning of each calendar quarter, using the average closing value of the Dow Jones Industrial Average for the month prior to the beginning of the quarter. Level 1 will be 10% of such average closing value calculation; Level 2 will be 20% of such average closing value calculation; Level 3 will be 30% of such average closing value calculation. Each Level will be rounded to the nearest fifty points. The values of Levels 1, 2 and 3 will remain in effect until the next calculation.

.02 The restrictions in this Rule will apply whenever the Dow Jones Industrial Average reaches the trigger values notwithstanding the fact that at any given time, the calculation of the value of the average may be based on the prices of less than all of the stocks included in the average.

.03 The reopening of trading following a trading halt under this Rule will be conducted pursuant to procedures adopted by the Corporation and communicated by notice to its ETP Holders.

.04 Nothing in this Rule should be construed to limit the ability of the Corporation to otherwise halt or suspend the trading in any stock or stocks traded on the Corporation pursuant to any other Corporation Rule or policy.

Trading Suspensions

Rule 7.13. Except as otherwise stated in Rule 5.5, the Chair of the Board or the President, or the officer designee of the Chair or the President, shall have the power to suspend trading in any and all securities traded on the Corporation whenever in his or her opinion such suspension would be in the public interest. No such action shall continue longer than a period of two days, or as soon thereafter as a quorum of Directors can be assembled, unless the Board approves the continuation of such suspension.

Clearance and Settlement

Rule 7.14(a). Each ETP Holder shall either:

- (1) be a clearing firm;
- (2) clear transactions on the Corporation through a clearing firm; or
- (3) clear transactions through an entity duly authorized by the Corporation.

(b) An ETP Holder must give up the name of the clearing firm through which each transaction on the Corporation will be cleared. If there is a subsequent change in identity of the clearing firm through which the transaction on the Corporation will be cleared, the ETP Holder shall report such change to the Corporation at least five (5) business days in advance.

(c) Each clearing firm must be admitted to the Corporation as an ETP Holder by meeting the qualification requirements set forth above in Rule 2; provided, however, if the clearing firm has become an ETP Holder for the sole purpose of acting as a clearing firm on the Corporation, such clearing firm need not pay the regular ETP Holder fee. The clearing firm shall be responsible for the clearance of the transactions effected by each ETP Holder which gives up such clearing firm's name pursuant to a letter of authorization, letter of guarantee or other authorization given by such clearing firm to such ETP Holder, which authorization shall be submitted to the Corporation.

(d) Notwithstanding any other provisions contained in the Rule to the contrary, the Board may extend or postpone the time of the delivery of a transaction on the Corporation whenever in its opinion, such action is called for by the public interest, by just and equitable principles of trade or by the need to meet unusual conditions. In such case, delivery shall be effected at such time, place and manner as directed by the Board of Directors.

Stock Option Transactions

Rule 7.15(a) No Market Maker nor his or her firm, nor any participant therein, shall, directly or indirectly, be interested in a pool dealing or trading in any security in which he or she is registered as a Market Maker.

(b) No Market Maker, nor his or her firm, nor any participant therein shall acquire, hold or grant, directly or indirectly, any interest in any option to buy or to sell or to receive or to deliver shares of any security in which he or she is registered as a Market Maker, unless such option is issued by the Options Clearing Corporation and is immediately reported to the Corporation in accordance with such procedures as may be prescribed by the Corporation.

Short Sales

- Rule 7.16(a) (1) Except as provided in subsection (d) hereof, no ETP Holder shall for his, her or its own account or for the account of any other person, effect through the facilities of the Corporation a short sale of any security for which trades are reported pursuant to a consolidated transaction reporting system operated in accordance with a plan declared effective under the Securities Exchange Act Rule 11Aa3-1 (a “consolidated system”) (A) below the price at which the last sale thereof, regular way, was reported in such consolidated system, or (B) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was reported in such consolidated system.
- (2) Except as provided in subsection (d) hereof, no ETP Holder shall for his, her or its own account, or for the account of any other person, effect through the facilities of the Corporation a short sale of any security not covered by paragraph (1) of this subsection (A) below the price at which the last sale of such security, regular way, was effected through the facilities of the Corporation, or (B) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was effected through the facilities of the Corporation.
- (3) Notwithstanding paragraph (1) of this subsection (a), the Board of Directors of the Corporation, in its discretion, may determine that it is necessary or appropriate in the public interest or for the protection of investors that short sales in any security for which trades are reported in a consolidated system be subject to the Rule set forth in paragraph (2) hereof. Following any such designation of any such security by the Board of Directors, compliance with the terms of paragraph (2) shall constitute compliance with this subsection (a).

(b) Order Identification. No ETP Holder of the Corporation shall, by the use of any facility of the Corporation, execute any sell order unless such order is indicated as either “long” or “short”.

(c) Marking Orders. No ETP Holder of the Corporation shall mark a sell order “long” unless (1) the security to be delivered after sale is carried in the account for which the sale is to be effected, or (2) such ETP Holder is informed that the seller owns the security ordered to be sold, and as soon as is possible without undue inconvenience or expense, will deliver the security owned to the account for which the sale is to be effected.

(d) Exceptions. The provisions of subsection (a) hereof shall not apply to:

- (1) Any sale by any person, for an account in which he or she has an interest, if such person owns the security sold and intends to deliver such security as soon as possible without undue inconvenience or expense;
- (2) Any ETP Holder in respect of a sale, for an account in which it has no interest, pursuant to an order to sell which is marked “long”;
- (3) Any sale of a security for which trades are reported in a consolidated system (except a sale to a stabilizing bid complying with Securities Exchange Act Rule 104) by a registered market maker in such security for its own account (i) effected at a price equal to or above the last sale, regular way, reported for such security pursuant to an effective transaction reporting plan; or (ii) effected at a price equal to the most recent offer communicated for the security by such registered specialist pursuant to the Securities Exchange Act Rule 11Ac1-1 if such offer, when communicated, was equal to or above the last sale, regular way, reported for such security pursuant to an effective transaction reporting plan. This exemption shall not be available for a short sale of any security not covered by paragraph (a)(1) of this Rule 7.16;
- (4) Any sale by an odd lot dealer registered with the Corporation for such security to offset odd lot orders of customers;
- (5) Any sale by an odd lot dealer registered with the Corporation for such security to liquidate a long position which is less than a round lot, provided such sale does not change the position of such Market Maker by more than the unit of trading;
- (6) Any sale of a security for which trades are not reported in a consolidated system (except a sale to a stabilizing bid complying with Securities Exchange Act Rule 104) effected with the approval of the Corporation which is necessary to equalize the price of such security on the Corporation with the current price of such security on another national

securities exchange which is the principal exchange market for such security;

- (7) Any sale of a security for a special arbitrage account by a person who then owns another security by virtue of which he or she is, or presently will be, entitled to acquire an equivalent number of securities of the same class as the securities sold, provided such sale, or the purchase which such sale offsets, is effected for the bona fide purpose of profiting from a current difference between the price of the security sold and the security owned and that such right of acquisition was originally attached to or represented by another security or was issued to all the holders of any class of securities of the issuer;
- (8) Any sales of a security on the Corporation effected for a special international arbitrage account for the bona fide purpose of profiting from a current difference between the price of such security on a securities market not within or subject to the jurisdiction of the United States and on the Corporation, provided the seller at the time of such sale knows or, by virtue of information currently received, has reasonable grounds to believe that an offer enabling him or her to cover such sale is then available to him or her in such foreign securities market and intends to accept such offer immediately;
- (9) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment.
- (10) Any sale of a security for which trades are reported in a consolidated system (except a sale to a stabilizing bid complying with the Securities Exchange Act Rule 104) by any broker or dealer, for his or her own account or for the account of any other person, effected at a price equal to the most recent offer communicated by such broker or dealer pursuant to the Securities Exchange Act Rule 11Ac1-1 in an amount less than or equal to the quotation size associated with such offer, if such offer, when communicated, was (A) above the price at which the last sale, regular way, for such security was reported pursuant to an effective transaction reporting plan; or (B) at such last sale price, if such last sale price is above the next preceding different price at which a sale of such security, regular way, was reported pursuant to an effective transaction reporting plan. This exemption shall not be available for a short sale of any security not covered by paragraph (a)(1) of this Rule 7.16.

For the purpose of paragraph (8) of this subsection (d) a depository receipt for a security shall be deemed to be the same security as the security represented by such receipt.

(e) Short Sales After “Ex” Date. In determining the price at which a short sale may be effected after a security goes ex-dividend, ex-rights or ex-any other distribution, all sales prices prior to “ex” date may be reduced by the value of such distribution.

(f) Covering Short Sales. No ETP Holder of the Corporation shall lend, or arrange for the loan of any security for delivery to the broker for the purchaser after sale, or shall fail to deliver a security on the date delivery is due, if such ETP Holder knows or has reasonable grounds to believe that the sale was effected, or will be effected, pursuant to an order marked “long” unless such ETP Holder knows, or has been informed by the seller (i) that the security sold has been forwarded to the account for which the sale was effected, or (ii) that the seller owns the security sold, that it is then impracticable to deliver such security to such account and that delivery will be made as soon as is possible without undue inconvenience or expense. The provisions of this subsection (f) shall not apply to:

- (1) The lending of a security by an ETP Holder through the medium of a loan to another ETP Holder; or
- (2) Any loan, or arrangement for the loan, of any security, or any failure to deliver any security if, prior to such loan, arrangement, or failure to deliver, the Corporation finds (A) that such sale resulted from a mistake made in good faith; (B) either that the condition of the market at the time the mistake was discovered was such that undue hardship would result from covering the transaction by a “purchase for cash” or that the mistake was made by the seller's broker and the sale was at a price permissible for a short sale under Rule 7.16; and (C) that due diligence was used to ascertain that the circumstances specified in clause (1) of Rule 7.16(c) existed or to obtain the information specified in clause (2) thereof.

Firm Orders and Quotes

Rule 7.17(a) *Orders at Stated Prices and Sizes*. No ETP Holder shall submit to the Corporation an order (including Q Orders) to buy from or sell to any person any security at a stated price and/or size unless such ETP Holder is prepared to, and, upon submission of an appropriate contra-side order, does, purchase or sell, as the case may be, at such price and/or size and under such conditions as are stated at the time of submission of such order to buy or sell.

(b) *Firm Quotes*. All bids made and all offers made shall be in accordance with the provisions of Rule 11Ac1-1 under the Securities Exchange Act of 1934, governing the dissemination of quotations for reported securities.

Rule 7.18. Reserved.

Rule 7.19. Reserved.

Section 2. Market Makers

Registration of Market Makers

Rule 7.20(a). No ETP Holder shall act as a Market Maker in any security unless such ETP Holder is registered as a Market Maker in such security by the Corporation pursuant to this Rule and the Corporation has not suspended or canceled such registration. Registered Market Makers are designated as dealers on the Corporation for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b) An applicant for registration as a Market Maker shall file an application in writing on such form as the Corporation may prescribe. Applications shall be reviewed by the Corporation, which shall consider such factors including, but not limited to capital operations, personnel, technical resources, and disciplinary history.

(c) An applicant's registration as a Market Maker shall become effective upon receipt by the ETP Holder of notice of an approval of registration by the Corporation. In the event that an application is disapproved by the Corporation, the applicant shall have an opportunity to be heard upon the specific grounds for the denial, in accordance with the provisions of Rule 10.13.

(d) The registration of a Market Maker may be suspended or terminated by the Corporation upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Rule 7.23.

(e) Any registered Market Maker may withdraw its registration by giving written notice to the Corporation. Such withdrawal of registration shall become effective on the tenth business day following the Corporation's receipt of the notice. A Market Maker who fails to give a ten-day written notice of withdrawal to the Corporation may be subject to formal disciplinary action pursuant to Rule 10. Subsequent to withdrawal, the ETP Holder shall not be permitted to re-register as a Market Maker for a period of six months.

Obligations of Market Maker Authorized Traders

Rule 7.21(a). *General.* MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered.

(b) *Registration of Market Maker Authorized Traders.* The Corporation may, upon receiving an application in writing from a Market Maker on a form prescribed by the Corporation, register a person as a MMAT.

- (1) MMATs may be officers, partners, employees or other associated persons of ETP Holders that are registered with the Corporation as Market Makers.
- (2) To be eligible for registration as a MMAT, a person must successfully complete the General Securities Representative Examination (Series 7) and complete a training and certification program sponsored by the

Corporation; provided, however, the requirement to complete the Series 7 Examination may be waived by the Corporation if the applicant MMAT has served as a dealer-specialist or market maker on a registered national securities exchange or association for at least two consecutive years within three years of the date of application.

- (3) The Corporation may require a Market Maker to provide additional information the Corporation considers necessary to establish whether registration should be granted.
- (4) The Corporation may grant a person conditional registration as a MMAT subject to any conditions it considers appropriate in the interests of maintaining a fair and orderly market.
- (5) A Market Maker must ensure that a MMAT is properly qualified to perform market making activities, including but not limited to ensuring the MMAT has met the requirements set forth in paragraph (b)(2) of this Rule.

(c) *Suspension or Withdrawal of Registration.*

- (1) The Corporation may suspend or withdraw the registration previously given to a person to be a MMAT if the Corporation determines that:
 - (A) the person has caused the Market Maker to fail to comply with the securities laws, rules and regulations or the Bylaws, Rules and procedures of the Corporation;
 - (B) the person is not properly performing the responsibilities of a MMAT;
 - (C) the person has failed to meet the conditions set forth under paragraph (b) above; or
 - (D) the Corporation believes it is in the interest of maintaining fair and orderly markets.
- (2) If the Corporation suspends the registration of a person as a MMAT, the Market Maker must not allow the person to submit orders into the Archipelago Exchange.
- (3) The registration of a MMAT will be withdrawn upon the written request of the ETP Holder for which the MMAT is registered. Such written request shall be submitted on the form prescribed by the Corporation.

Registration of Market Makers in a Security

Rule 7.22(a). A Market Maker may become registered in a newly authorized security or in a security already admitted to dealings on the Corporation by filing a security registration form with the Corporation. Registration in the security shall become effective on the first business day following the Corporation's approval of the registration. In considering the approval of the registration of the Market Maker in a security, the Corporation may consider:

- (1) the financial resources available to the Market Maker;
- (2) the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;
- (3) the Market Maker's operational capability;
- (4) the maintenance and enhancement of competition among Market Makers in each security in which they are registered;
- (5) the existence of satisfactory arrangements for clearing the Market Maker's transactions;
- (6) the character of the market for the security, *e.g.*, price, volatility, and relative liquidity.

(b) A Market Maker's registration in a security may be terminated by the Corporation if the Market Maker fails to enter quotations in the security within five (5) business days after the Market Maker's registration in the security becomes effective.

(c) *Voluntary Termination of Security Registration.* A Market Maker may voluntarily terminate its registration in a security by providing the Corporation with a one-day written notice of such termination. A Market Maker that fails to give advanced written notice of termination to the Corporation may be subject to formal disciplinary action pursuant to Rule 10.

(d) The Corporation may suspend or terminate any registration of a Market Maker in a security or securities under this Rule whenever, in the Corporation's judgment, the interests of a fair and orderly market are best served by such action.

(e) An ETP Holder may seek review of any action taken by the Corporation pursuant to this Rule, including the denial of the application for, or the termination or suspension of, a Market Maker's registration in a security or securities, in accordance with Rule 10.13.

Obligations of Market Makers

Rule 7.23(a). *General.* ETP Holders who are registered as Market Makers in one or more securities traded on the Corporation must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the

Corporation in accordance with this Rule. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

- (1) Maintain continuous, two-sided Q Orders in those securities in which the Market Maker is registered to trade;
- (2) Maintain adequate minimum capital in accordance with Rule 4.1;
- (3) Remain in Good Standing with the Corporation;
- (4) Inform the Corporation of any material change in financial or operational condition or in personnel.
- (5) Clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another ETP Holder that clears trades through such agency.
- (6) Enter and maintain a Cleanup Order in each security in which the Market Maker is registered as such for each Market Order Auction.

(b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Rule during the Core Trading Hours on all days in which the Corporation is open for business.

(c) If the Corporation finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of the registration by the Corporation in one or more of the securities in which the Market Maker is registered. Nothing in this Rule will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Corporation with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule. In accordance with Rule 10, an ETP Holder may seek review of actions taken by the Corporation pursuant to this Rule.

(d) *Temporary Withdrawal.* A Market Maker may apply to the Corporation to withdraw temporarily from its Market Maker status in the securities in which it is registered. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Corporation an opinion of counsel certifying that such legal or regulatory basis exists. The Corporation will act promptly on such request and, if the request is granted, the Corporation may temporarily reassign the securities to another Market Maker.

Rule 7.24. Reserved.

Registration of Odd Lot Dealers

Rule 7.25(a) *Eligibility*. Any Market Maker may become registered as an Odd Lot Dealer in any security by filing an odd lot registration form with the Corporation. Registration as an Odd Lot Dealer shall become effective on the first business day following the Corporation's approval of the registration. In considering the approval of the registration of the Market Maker as an Odd Lot Dealer in a security, the Corporation shall consider such factors including, but not limited to, financial resources, capital operations, personnel, technical resources and disciplinary history. If the Corporation denies an application to become an Odd Lot Dealer in a security or securities, the applicant may seek review of the decision in accordance with Rule 10.13.

(b) *Market Makers Registered in a Security*. For each security in which a Market Maker is registered, the Market Maker must become an Odd Lot Dealer in that security.

(c) *Obligations of Odd Lot Dealers*. An Odd Lot Dealer must:

- (1) Maintain an OLTO, as described in Rule 7.31(g), during each day in which the Corporation is open for business for each security in which the Odd Lot Dealer is registered as such; and
- (2) Register and maintain registration as an Odd Lot Dealer in a minimum of 100 securities if the Odd Lot Dealer registers as such in any security for which it is not registered as a Market Maker.

(d) *Termination of Odd Lot Dealer Registration*. The Corporation may suspend or terminate an Odd Lot Dealer's registration in a security or securities:

- (1) If the Corporation determines that the Odd Lot Dealer has substantially or continually failed to engage in dealings in accordance with paragraph (c);
or
- (2) If, in the Corporation's judgment, the interests of a fair and orderly market are best served by such action.

An ETP Holder may seek review of any such termination or suspension in accordance with Rule 10.

(e) *Voluntary Termination of Registration*. An Odd Lot Dealer may voluntarily terminate its registration as such in a security or securities by providing the Corporation with a one-day written notice of such termination. An Odd Lot Dealer that fails to give advance notice of termination to the Corporation may be subject to formal disciplinary action pursuant to Rule 10.

Limitations on Dealings

Rule 7.26(a) *General.* A Market Maker on the Corporation may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier (also commonly referred to as “Chinese Wall”) between the market making activities and the Other Business Activities. “Other Business Activities” mean:

- (1) conducting an investment banking or public securities business;
- (2) making markets in the options overlying the security in which it makes markets; or
- (3) functioning as a GAT.

(b) *Information Barrier.* For the purposes of this rule, an Information Barrier is an organizational structure in which:

- (1) The market making functions are conducted in a physical location separate from the locations in which the Other Business Activities are conducted, in a manner that effectively impedes the free flow of communications between MMATs, and persons conducting the Other Business Activities. However, upon request and not on his/her own initiative, a MMAT performing the function of a Market Maker may furnish to persons at the same firm or an affiliated firm (“affiliated persons”), the same sort of market information that the MMAT would make available in the normal course of its market making activity to any other person. The MMAT must provide such information to affiliated persons in the same manner that he/she would make such information available to a non-affiliated person.
- (2) There are procedures implemented to prevent the use of material non-public corporate or market information in the possession of persons on one side of the barrier from influencing the conduct of persons on the other side of the barrier. These procedures, at a minimum, must provide that:
 - (A) the MMAT performing the function of a Market Maker does not take advantage of knowledge of pending transactions, order flow information, corporate information or recommendations arising from the Other Business Activities; and
 - (B) all information pertaining to the Market Maker’s positions and trading activities is kept confidential and not made available to persons on the other side of the Information Barrier.

(3) Persons on one side of the barrier may not exercise influence or control over persons on the other side of the barrier, provided that:

- (A) the market making function and the Other Business Activities may be under common management as long as any general management oversight does not conflict with or compromise the Market Maker's responsibilities under the Rules of the Corporation; and
- (B) the same person or persons (the "Supervisor") may be responsible for the supervision of the market making and the GAT functions of the same firm or affiliated firms in order to monitor the overall risk exposure of the firm or affiliated firms. While the Supervisor may establish general trading parameters with respect to both market making and other proprietary trading other than on an order-specific basis, the Supervisor may not:
 - (i) actually perform the function either of MMAT or GAT;
 - (ii) provide to any person performing the function of a GAT any information relating to market making activity beyond the information that a MMAT performing the function of a Market Maker may provide under subparagraph (b)(1), above; nor
 - (iii) provide a MMAT performing the function of Market Maker with specific information regarding the firm's pending transactions or order flow arising out of its GAT activities.

(c) *Documenting and Reporting of Information Barrier Procedures.* An ETP Holder implementing an Information Barrier pursuant to this Rule shall submit to the Corporation a written statement setting forth:

- (1) The manner in which it intends to satisfy the conditions in paragraph (b) of this Rule, and the compliance and audit procedures it proposes to implement to ensure that the Information Barrier is maintained;
- (2) The names and titles of the person or persons responsible for maintenance and surveillance of the procedures;
- (3) A commitment to provide the Corporation with such information and reports as the Corporation may request relating to its transactions;
- (4) A commitment to take appropriate remedial action against any person violating this Rule or the ETP Holder's internal compliance and audit procedures adopted pursuant to subparagraph (c)(1) of this Rule, and that

it recognizes that the Corporation may take appropriate remedial action, including (without limitation) reallocation of securities in which it serves as a Market Maker, in the event of such a violation;

- (5) Whether the ETP Holder or an affiliate intends to clear its proprietary trades and, if so, the procedures established to ensure that information with respect to such clearing activities will not be used to compromise the ETP Holder's Information Barrier, which procedures, at a minimum, must be the same as those used by the ETP Holder or the affiliate to clear for unaffiliated third parties; and
- (6) That it recognizes that any trading by a person while in possession of material, non-public information received as a result of the breach of the internal controls required under this Rule may be a violation of Rules 10b-5 and 14e-3 under the Exchange Act or one or more other provisions of the Exchange Act, the rules thereunder or the Rules of the Corporation, and that the Corporation intends to review carefully any such trading of which it becomes aware to determine whether a violation has occurred.

(d) *Approval of Information Barrier Procedures.* The written statement required by paragraph (c) of this Rule must detail the internal controls that the ETP Holder will implement to satisfy each of the conditions stated in that Rule, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If the Corporation determines that the organizational structure and the compliance and audit procedures proposed by the ETP Holder are acceptable under this Rule, the Corporation shall so inform the ETP Holder, in writing. Absent the Corporation finding an ETP Holder's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities.

(e) *Clearing Arrangements.* Subparagraph (c)(5) permits an ETP Holder or an affiliate of the ETP Holder to clear the ETP Holder's Market Maker transactions if it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the Information Barrier. In this regard:

- (1) The procedures must provide that any information pertaining to Market Maker securities positions and trading activities, and information derived from any clearing and margin financing arrangements, may be made available only to those employees (other than employees actually performing clearing and margin functions) specifically authorized under this Rule to have access to such information or to other employees in senior management positions who are involved in exercising general managerial oversight with respect to the market making activity.
- (2) Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under the Corporation's Rules.

Rule 7.27. Reserved.

Rule 7.28. Reserved.

Section 3. Archipelago Exchange

Access

Rule 7.29(a). *General.* The Archipelago Exchange shall be available for entry and execution of orders by Users with authorized access. To obtain authorized access to the Archipelago Exchange, each User must enter into a User Agreement.

(b) *Sponsored Participants.* A Sponsored Participant may obtain authorized access to the Archipelago Exchange only if such access is authorized in advance by one or more Sponsoring ETP Holders as follows:

- (1) Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring ETP Holders establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on the Archipelago Exchange. Such customer agreement(s) must incorporate the Sponsorship Provisions set forth in paragraph (2) below.
- (2) For a Sponsored Participant to obtain and maintain authorized access to the Archipelago Exchange, a Sponsored Participant and its Sponsoring ETP Holder must agree in writing to the following Sponsorship Provisions:
 - (A) Sponsored Participant and its Sponsoring ETP Holder must have entered into and maintained a User Agreement with Archipelago Exchange, L.L.C. The Sponsoring ETP Holder must designate the Sponsored Participant by name in its User Agreement as such.
 - (B) Sponsoring ETP Holder acknowledges and agrees that
 - (i) All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring ETP Holder and
 - (ii) Sponsoring ETP Holder is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

- (C) Sponsored ETP Holder shall comply with the PCXE Certificate of Incorporation, Bylaws, Rules and procedures with regard to the Archipelago Exchange and Sponsored Participant shall comply with PCXE Certificate of Incorporation, Bylaws, Rules and procedures with regard to the Archipelago Exchange, as if Sponsored Participant were an ETP Holder.
- (D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring ETP Holder a list of Authorized Traders who may obtain access to the Archipelago Exchange on behalf of the Sponsored Participant.
- (E) Sponsored Participant shall familiarize its Authorized Traders with all of the Sponsored Participant's obligations under this Rule and will assure that they receive appropriate training prior to any use or access to the Archipelago Exchange.
- (F) Sponsored Participant may not permit anyone other than Authorized Traders to use or obtain access to the Archipelago Exchange.
- (G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to the Archipelago Exchange, including unauthorized entry of information into the Archipelago Exchange, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of Authorized Traders, and for the trading and other consequences thereof.
- (H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents and customers' use and access to the Archipelago Exchange for compliance with the terms of this agreement.
- (I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring ETP Holder, Archipelago Exchange, L.L.C., PCXE or any other third parties that arise from the Sponsored Participants access to and use of the Archipelago Exchange. Such amounts include, but are not limited to applicable exchange and regulatory fees.

- (3) The Sponsoring ETP Holder must provide the Corporation with a Notice of Consent acknowledging its responsibility for the orders, executions and actions of its Sponsored Participant at issue.

Authorized Traders

Rule 7.30(a). An ETP Holder shall maintain a list of ATs who may obtain access to the Archipelago Exchange on behalf of the ETP Holder or the ETP Holder's Sponsored Participants. The ETP Holder shall update the list of ATs as necessary. ETP Holders must provide the list of ATs to the Corporation upon request.

(b) An ETP Holder must have reasonable procedures to ensure that all ATs comply with the trading Rules and procedures related to the Archipelago Exchange and all other Rules of the Corporation.

(c) An ETP Holder must suspend or withdraw a person's status as an AT if the Corporation has determined that the person has caused the ETP Holder to fail to comply with the Rules of the Corporation and the Corporation has directed the ETP Holder to suspend or withdraw the person's status as an AT.

(d) An ETP Holder must have reasonable procedures to ensure that the ATs maintain the physical security of the equipment for accessing the facilities of the Corporation to prevent the improper use or access to the systems, including unauthorized entry of information into the systems.

Orders and Modifiers

Rule 7.31.

(a) **Market Order.** An order to buy or sell a stated amount of a security that is to be executed at the best price obtainable when the order reaches the Corporation.

(b) **Limit Order.** An order to buy or sell a stated amount of a security at a specified price or better. A "marketable" limit order is a limit order to buy (sell) at or above (below) the consolidated best offer (bid) for the security.

(c) **Day Order.** An order to buy or sell which, if not executed, expires at the end of the day on which it was entered.

(d) **Good-Till-Canceled ("GTC") Order.** An order to buy or sell which remains in effect until it is executed or canceled. The Corporation will modify GTC Orders as appropriate in light of stock events (*e.g.*, stock split or reverse split).

(e) Immediate-or-Cancel Order. A market or limit order that is to be executed in whole or in part as soon as such order is received, and the portion not so executed is to be treated as canceled.

(f) Tracking Order.

(1) Any User may submit an instruction to the Archipelago Exchange for the parameters of a Tracking Order at any time during the day. The parameters shall include:

(A) the maximum aggregate size, which is the aggregate size of all partial orders generated in the Tracking Order Process for a particular security that the User is willing to trade on that day;

(B) the maximum tradeable size, which is the maximum size of any partial order generated in response to an order entering the Tracking Order Process that the User is willing to trade on that day;

(C) the price in relation to the NBBO; and

(D) the relevant security.

(2) Once a User has submitted an instruction for the parameters of the Tracking Order, the instruction will remain in effect until closing or until the User has traded its maximum aggregate size for that day, whichever comes first.

(3) The Tracking Order Process rotation is as follows: Users who have submitted an instruction for the parameters of a Tracking Order will be assigned trades on a price/time rotating basis, such that within each price level, trades shall be assigned by the time the Users' instructions are received by the Archipelago Exchange. Within each price level, the first User to send an instruction for a Tracking Order will be the first User to be assigned a trade in the rotation process. For each order that enters the Tracking Order Process, the Tracking Order Process will rotate once through the Users in the rotation pattern. In each rotation, the User will be responsible for one trade up to the User's maximum tradeable size.

(4) The order described in the User's Tracking Order instruction will only be generated if:

(A) an unfilled round or mixed lot order enters the Tracking Order Process and

- (B) it is such User's turn as determined by the Tracking Order Process rotation pattern.
- (5) Each partial order generated in a rotation is a limit order in which:
 - (A) the price is set at or better than the NBBO at the time the unfilled order enters the Tracking Order Process, based on the User's parameters; and
 - (B) the size is (i) equal to the User's maximum tradeable size if the unfilled order is equal to or larger than the maximum tradeable size; or (ii) equal to the size of the unfilled order if the unfilled order is smaller than the maximum tradeable size.
 - (6) A User may modify the parameters of the instruction for the Tracking Order from time to time, as the Corporation permits.
 - (7) Whenever in the judgment of the Corporation, because of an influx of orders, a system malfunction or other unusual conditions or circumstances, the interests of a fair and orderly market so require, the Corporation may suspend the Tracking Order Process. The Tracking Order Process shall resume when the Corporation determines that the conditions supporting the suspension no longer exist.
- (g) Odd Lot Tracking Order.
 - (1) Only Odd Lot Dealers may submit an Odd Lot Tracking Order or "OLTO" to the Archipelago Exchange.
 - (2) An OLTO is a Tracking Order, as described in paragraph (f), in which:
 - (A) the maximum aggregate size is unlimited;
 - (B) the maximum tradeable size is 99 shares;
 - (C) the price is set at the NBBO; and
 - (D) the security is one in which the Odd Lot Dealer is registered as such; and
 - (E) the instruction must be in effect for the duration of Core Trading Hours;

provided, however, the order described in the OLTO instruction will only be generated if

- (1) an unfilled odd lot market order enters the Odd Lot Tracking Order Process pursuant to Rule 7.37(c); or
- (2) an odd lot limit order causes a locked market as described in Rule 7.56.

(h) Working Order. Any order with a conditional or undisplayed price and/or size designated as a "Working Order" by the Corporation, including, without limitation:

- (1) All-or-None Order. A limit order which is to be executed in its entirety or not at all.
- (2) Discretionary Order. An order to buy or sell a stated amount of a security at a specified, undisplayed price (the "discretionary price"), in addition to at a specified, displayed price ("displayed price.")
- (3) Reserve Order. A limit order with a portion of the size displayed and with a reserve portion of the size ("reserve size") that is not displayed on the Corporation.

(i) Directed Order. Any market or limit order to buy or sell which has been directed to a particular Market Maker by the User.

(j) Directed Fill. Any Market Maker may submit a standing instruction to the Archipelago Exchange for the parameters of a Directed Fill, including, but not limited to, the size of the order, the Users that may send such Market Maker a Directed Order, the price improvement algorithm and the period of time the instruction is effective. The Market Maker's Directed Fill described in the instruction will only be generated in response to a Directed Order directed to such Market Maker. The Directed Fill is a limit order with (1) a size that is equal to or less than the size of the Directed Order and (2) a price that improves the BBO by an automatically preset amount, which must be equal to or greater than the MPII, pursuant to a price improvement algorithm; provided, however, the Directed Fill will not be generated if the price is not equal to or better than the NBBO. A Market Maker may modify the parameters of the instruction for a Directed Fill from time to time, as the Corporation permits.

(k) Q Order. A limit order submitted to the Archipelago Exchange by a Market Maker. A Q Order may not be a Working Order.

(l) Stop Order. A Stop Order to buy becomes a market order when a transaction in the security occurs on the Corporation or on another national securities exchange or association at or above the stop price. A Stop Order to sell becomes a market order when a transaction in the security occurs on the Corporation or on another national securities exchange or association at or below the "stop" price. Stop Orders shall not have standing in any Order Process in the Arca Book and shall not be displayed.

(m) Stop Limit Order. A Stop Limit Order to buy becomes a limit order when a transaction in the security occurs on the Corporation or on another national securities exchange or association at or above the stop price. A Stop Limit Order to sell becomes a limit order when a transaction in the security occurs on the Corporation or on another national securities exchange or association at or below the stop price.

(n) Do Not Reduce. A limit order to buy, a Stop Order to sell or a Stop Limit Order to sell which is not to be reduced by the amount of an ordinary cash dividend on the ex-dividend date. A Do Not Reduce Order applies only to ordinary cash dividends; it should be reduced for other distributions such as when a stock goes “ex” a stock dividend or ex rights.

(o) Do Not Increase. A limit order to buy, a Stop Order to sell or a Stop Limit Order to sell which is not to be increased in shares on the ex-date as a result of a stock dividend or stock distribution.

(p) Fill-or-Return. An order to buy or sell that is to be executed in whole or in part on the Corporation, and the portion not so executed is to be cancelled, without routing the order to another market center or market participant.

(q) Timed Order. An order to buy or sell which is to remain in effect from and/or until a specified time, after which such order or the portion thereof not executed is to be treated as cancelled.

(r) Fill-or-Return Plus. An order to buy or sell that is to be executed in whole or in part on the Corporation, and the portion not so executed is to be cancelled, without routing the order to another market center or market participant. In the event any portion of the order is not executed on the Corporation and must be cancelled, the Archipelago Exchange, after canceling the unexecuted portion of the order, shall send an administrative message to an ETP Holder designated by the order entry ETP Holder informing the designated ETP Holder that a portion of the order was cancelled.

(s) Cross Order. A two-sided order with instructions to match the identified buy-side with the identified sell-side at a specified price (the “cross price”). For the purposes of this Rule 7.31(s), an order of block size shall have the same meaning as set forth in Rule 7.57. A Cross Order will be executed as follows; provided, however, no Cross Orders shall be matched at the cross price without interacting with any orders in the Arca Book unless the cross price improves the BBO by the MPII:

- (1) If the cross price is equal to or better than the NBBO,
 - (A) and the cross price is between the BBO, the Cross Order shall be matched at the cross price without interacting with any orders in the Arca Book.
 - (B) and the cross price is at the BBO,

- (i) first, the Cross Order shall be matched, at the displayed price, against all pre-existing displayed orders in the Display Order Process of the Arca Book with priority according to Rule 7.36; and
 - (ii) then, any remainder of the Cross Order shall be matched at the cross price.
- (2) If the cross price is outside the NBBO,
 - (A) and the cross price is between the BBO,
 - (i) first, the portion of the Cross Order that may be executed in another market shall be routed away for execution pursuant to Section 5 of Rule 7; and
 - (ii) then, the remainder of the Cross Order shall be matched at the cross price without interacting with any orders in the Arca Book.
 - (B) and the cross price is at the BBO,
 - (i) first, the portion of the Cross Order that may be executed in another market shall be routed away for execution pursuant to Section 5 of Rule 7;
 - (ii) then, the Cross Order shall be matched, at the displayed price, against all pre-existing displayed orders in the Display Order Process of the Arca Book with priority according to Rule 7.36; and
 - (iii) then, any remainder of the Cross Order shall be matched at the cross price.
 - (C) and the cross price is outside the BBO,
 - (i) and the NBBO is better than the BBO,
 - (1) first, the portion of the Cross Order that may be executed in another market shall be routed away for execution pursuant to Section 5 of Rule 7;
 - (2) then, the Cross Order shall be matched,
 - (a) at the displayed price (if the Cross Order is smaller than block size) or at the cross price

(if the Cross Order is of block size), against all pre-existing orders in the Display Order Process of the Arca Book with priority according to Rule 7.36; and

- (b) at the price at which the Working Order is represented in the Arca Book, against all pre-existing orders in the Working Order Process of the Arca Book with priority according to Rule 7.36.

The Cross Order shall be matched against any displayed and/or Working Order at a better price level before being matched to any displayed and/or Working Order at the next best price level.

- (3) then, any remainder of the Cross Order shall be matched at the cross price.

(ii) and the NBBO equals the BBO,

- (1) first, the Cross Order shall be matched,

- (a) at the displayed price (if the Cross Order is smaller than block size) or at the cross price (if the Cross Order is of block size), against all pre-existing orders in the Display Order Process of the Arca Book with priority according to Rule 7.36; and

- (b) at the price at which the Working Order is represented in the Arca Book, against all pre-existing orders in the Working Order Process of the Arca Book with priority according to Rule 7.36.

The Cross Order shall be matched against any displayed and/or Working Order at a better price level before being matched to any displayed and/or Working Order at the next best price level.

- (2) then, the portion of the Cross Order that may be executed in another market shall be routed away for execution pursuant to Section 5 of Rule 7;

- (3) then, any remainder of the Cross Order shall be matched at the cross price.

(t) Auction-Only Limit Order. A limit order that is to be executed only during the Market Order Auction.

(u) Cleanup Order.

- (1) Only Market Makers may submit Cleanup Orders to the Archipelago Exchange.
- (2) Cleanup Orders must be submitted to the Archipelago Exchange before 6:15 am (Pacific Time) and remain in effect until the conclusion of the Market Order Auction.
- (3) Cleanup Orders must be 2500 shares in size.
- (4) Cleanup Orders must be entered as both buy or sell orders, provided, however, the Cleanup Order may only be executed on the side of the market opposite the Imbalance.
- (5) Cleanup Orders will be executed at the Indicative Match Price as of the time of the Market Order Auction.
- (6) Cleanup Orders will only be executed if:
 - (A) There is an Imbalance of Market Orders at the conclusion of the Market Order Auction, as provided in Rule 7.35; and
 - (B) The Imbalance is less than or equal to aggregate size of all Cleanup Orders in the relevant security.
- (7) If there is an Imbalance and Cleanup Orders will be executed based on the criteria in paragraph (6), the market orders which make up the Imbalance will be divided equally among, and allocated to, all Market Makers registered in the relevant security and executed against such Market Makers' Cleanup Orders.
- (8) If no Imbalance exists at the time of the Market Order Auction, all Cleanup Orders shall be cancelled at that time.

(v) NOW Order. A Limited Price Order that is to be executed in whole or in part on the Corporation, and the portion not so executed shall be routed pursuant to Rule 7.37(d) only to one or more NOW Recipients for immediate execution as soon as the order is received by the NOW Recipient. Any portion not immediately executed by the NOW Recipient shall be

cancelled. If a NOW Order is not marketable when it is submitted to the Corporation, it shall be cancelled. NOW Orders may not be Directed Orders.

(w) PNP Order (Post No Preference). A limit order to buy or sell that is to be executed in whole or in part on the Corporation, and the portion not so executed is to be ranked in the Arca Book, without routing any portion of the order to another market center; provided, however, the Corporation shall cancel a PNP Order that would lock or cross the NBBO.

(x) Primary Only Order (PO Order). For exchange-listed securities only, a market order that is to be routed as a market-on-open order to the primary market for participation in the primary market opening process. A PO Order must be entered before 6:28 am (Pacific Time) and it will not be included in the Market Order Auction.

Order Entry

Rule 7.32. Users may enter into the Archipelago Exchange the types of orders listed in Rule 7.31; provided, however, no User may enter an order other than a Fill-or-Return, Fill-or-Return Plus or PNP Order unless the User or the User's Sponsoring ETP Holder has entered into a Routing Agreement.

ETP Holder Users

Rule 7.33. Consistent with Rules of the Corporation, ETP Holder Users of the Archipelago Exchange may enter proprietary orders and agency orders for the account of a customer. Proprietary orders accepted by the Archipelago Exchange from ETP Holder Users are subject to the same display and execution processes as agency orders. An ETP Holder User that enters a proprietary order into the Archipelago Exchange shall mark the order with the appropriate designator to identify the order as proprietary.

Trading Sessions

Rule 7.34(a) *Sessions*. The Archipelago Exchange shall have three trading sessions each day the Corporation is open for business:

- (1) *Opening Session*. The Opening Session shall begin at 5:00:00 am (Pacific Time) and conclude at the commencement of the Core Trading Session. The Opening Auction and the Market Order Auction shall occur during the Opening Session.
- (2) *Core Trading Session*. The Core Trading Session shall begin for each security at 6:30:00 am (Pacific Time) or at the conclusion of the Market Order Auction, whichever comes later, and conclude at 1:00:00 pm (Pacific Time).

(3) *Late Trading Session.* The Late Trading Session shall begin following the conclusion of the Core Trading Session and conclude at 5:00:00 pm (Pacific Time).

(b) *Market Maker Obligations.* During the Core Trading Session, Market Makers will be obligated to enter Q Orders in securities in which they are registered in accordance with Rule 7.23 by the time Core Trading Hours begin. During the Opening Session and the Late Trading Session, Market Makers are not obligated to enter Q Orders in securities in which they are registered. Market Makers are required to enter at least one Cleanup Order for all securities in which they are registered for each Market Order Auction.

(c) *Order Designation.* Any Day Order entered into the Archipelago Exchange may remain in effect for one or more consecutive trading sessions on a particular day. For each Day Order entered into the Archipelago Exchange, the User must designate for which trading session(s) the order will remain in effect. Any GTC Order entered into the Archipelago Exchange will remain in effect only during Core Trading Sessions, unless the User indicates that the GTC Order will remain in effect for the Opening and/or Late Trading Sessions.

(d) *Orders Permitted in Each Session.*

(1) During the Opening Session:

- (A) Orders eligible for the Display Order Process (other than Q Orders) and for the Working Order Process that have been designated as available for the Opening Session are eligible for entry into and execution on the Archipelago Exchange.
- (B) Stop Orders are not eligible for execution during the Opening Session.
- (C) Users may enter market and Auction-Only Limit Orders for inclusion in the Market Order Auction. Market orders and Auction-Only Limit Orders are not eligible for execution during the Opening Session, except during the Market Order Auction.
- (D) Neither the Directed Order Process nor the Tracking Order Process is available during the Opening Session. For the purposes of the Opening Session, market Directed Orders are included in the Market Order Auction.
- (E) NOW Orders are eligible for execution during the Opening Session, provided, however, NOW Orders are not eligible for the Opening Auction or the Market Order Auction.
- (F) PNP Orders are eligible for execution during the Opening Session.

- (2) During the Core Trading Session, market orders, Stop Orders, NOW Orders, PNP Orders and orders eligible for the Directed Order, Display Order, Working Order and Tracking Order Processes are eligible for entry into and execution on the Archipelago Exchange.
- (3) During the Late Trading Session:
 - (A) Orders eligible for the Display Order Process (other than Q Orders) and for the Working Order Process, including NOW Orders and PNP Orders, that have been designated as available for the Late Trading Session are eligible for entry into and execution on the Archipelago Exchange.
 - (B) Market orders and Stop Orders are not eligible for execution during the Late Trading Session.
 - (C) The Directed Order and Tracking Order Processes are not available during the Late Trading Session.

(e) *Customer Disclosures.* No ETP Holder may accept an order from a non-ETP Holder for execution in the Opening or Late Trading Session without disclosing to such non-ETP Holder that:

- (1) except for market orders eligible for execution during the Market Order Auction, Limited Price Orders are the only orders that are eligible for execution during the Opening and Late Trading Sessions;
- (2) an order must be designated specifically for trading in the Opening and/or Late Trading Session to be eligible for trading in the Opening and/or Late Trading Session; and
- (3) extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk.

The disclosures required pursuant to this subparagraph (e)(3) may take the following form or such other form as provides substantially similar information:

1. **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower

liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

2. **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular markets hours.

3. **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.

4. **Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

5. **Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

6. **Risk of Wider Spreads.** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

(f) Trades on the Archipelago Exchange executed and reported outside of the Core Trading Session shall be designated as .T trades.

Opening Session Auctions

Rule 7.35. (a) *Order Entry and Cancellation Before Opening Auction*

- (1) Users may submit any orders to the Archipelago Exchange beginning at 4:30 am (Pacific Time). Any such Limited Price Orders designated for the

Opening Session will be queued until 5:00 am (Pacific Time) at which time they will be eligible to be executed pursuant to paragraph (b) of this Rule. Any such market orders will be queued until the Market Order Auction at which time they will be executed pursuant to paragraph (c) of this Rule.

- (2) Only Limited Priced Orders designated for the Opening Session will be eligible for the Opening Auction. Market orders entered before the Opening Auction will participate in the Market Order Auction. Limited Price Orders not designated for the Opening Session will become eligible for execution pursuant to Rule 7.37 at the commencement of the Core Trading Session.
- (3) Beginning at 4:30 am (Pacific Time), and various times thereafter as determined from time to time by the Corporation, the Indicative Match Price of the Opening Auction, and any Imbalance associated therewith, shall be published via electronic means as determined from time to time by the Corporation.
- (4) Orders that are eligible for the Opening Auction may not be cancelled between 4:58 am (Pacific Time) and the conclusion of the Opening Auction.

(b) *Opening Auction.*

- (1) At 5:00 am (Pacific Time), Limited Price Orders designated for the Opening Session are matched and executed in the Opening Auction.
- (2) The orders in the Opening Auction shall be executed at the Indicative Match Price as of the time of the Opening Auction.
- (3) Orders that are eligible for, but not executed in, the Opening Auction shall become eligible for the Opening Session immediately upon conclusion of the Opening Auction.

(c) *Market Order Auction.*

- (1) Publication of Indicative Match Price and Imbalances
 - (A) Beginning at 5:00 am (Pacific Time), and various times thereafter as determined from time to time by the Corporation, the Indicative Match Price of the Market Order Auction and the volume available to trade at such price, shall be published via electronic means as determined from time to time by the Corporation. If such a price does not exist (*i.e.*, there is an Imbalance of market orders), the

Archipelago Exchange shall indicate via electronic means that an Indicative Match Price does not exist.

- (B) Beginning at 5:00 am (Pacific Time), and various times thereafter as determined from time to time by the Corporation, the market order Imbalance associated with the Market Order Auction, if any, shall be published via electronic means as determined from time to time by the Corporation.
- (C) If the difference between the Indicative Match Price and the closing price of the previous trading day's normal market hours, as determined by the Consolidated Tape, is equal to or greater than a pre-determined amount, as determined from time to time by the Corporation, the Archipelago Exchange will assign a "SIG" designator to such Indicative Match Price and publish such designator via electronic means as determined from time to time by the Corporation.

- Example:*
- (1) Market order to buy 5000 shares;
 - (2) Auction-Only Limit Order to sell 1000 at 50;
 - (3) Limit order to sell 1000 at 50.50; and
 - (4) Limit order to sell 500 at 50.75.

The Archipelago Exchange will publish an Indicative Match Price of 50.75, a volume of 2500 shares and a buy Imbalance of 2500 shares.

- Example:*
- (1) Market order to buy 3000 shares;
 - (2) Market order to sell 1000;
 - (3) Limit order to sell 1000 at 41.00; and
 - (4) Limit order to sell 1000 at 41.25.

The Archipelago Exchange will publish an Indicative Match Price of 41.25 and a volume of 3000 shares and will not publish an Imbalance.

(2) Reduction of Imbalances

- (A) Any Imbalance in the Market Order Auction may be reduced by new orders, entered on the side of the market opposite the Imbalance, pursuant to the following priority:
 - (i) Market orders;
 - (ii) Limited Price Orders eligible for the Opening Session;

- (iii) Limited Price Orders entered before 6:28 am (Pacific Time);
 - (iv) Auction-Only Limit Orders; and
 - (v) Cleanup Orders.
 - (B) Between 6:28 am (Pacific Time) and the conclusion of the Market Order Auction, Limited Price Orders eligible for the Opening Session or the Core Trading Session may be cancelled, but market orders, Auction-Only Limit Orders and Cleanup Orders may not be cancelled.
 - (C) Between 6:28 am (Pacific Time) and the conclusion of the Market Order Auction, market orders and Auction-Only Limit Orders may not be entered on the same side as the Imbalance. Market orders and Auction-Only Limit Orders may be entered on the opposite side of the Imbalance, however, any time before the Market Order Auction.
- (3) Determination of Market Order Auction Price
 - (A) If there is no Imbalance, orders will be executed in the Market Order Auction at the Indicative Match Price as of 6:30 am (Pacific Time).
 - (B) If an Imbalance exists, or if an equilibrium exists between buy market orders and sell market orders, as many buy market orders and sell market orders as possible shall be matched, on a time priority basis,
 - (i) at the midpoint of the NBBO at 6:30 am (Pacific Time), in the case of exchange-listed securities for which the Corporation is not the primary market; or
 - (ii) at the midpoint of the NBBO at 6:30 am (Pacific Time), in the case of Nasdaq-listed securities, provided that the NBBO is not crossed; or
 - (iii) at the midpoint of the first uncrossed NBBO after 6:30 am (Pacific Time), in the case of Nasdaq securities in which the NBBO is crossed but the BBO is not crossed by the NBBO; or

- (iv) at the bid (offer) of the BBO that was crossed prior to 6:30 am (Pacific Time), in the case of Nasdaq securities in which the BBO is crossed by a market participant; or
- (v) at the Indicative Match Price as of 6:30 am (Pacific Time) in the case of those issues for which the Corporation is the primary market. If equilibrium exists between buy and sell market orders, the match price shall be at the last Corporation sale price in the security regardless of the trading session, provided that, if the last Corporation sale price is inferior to the BBO, the match price shall be the Corporation bid (offer).

Such executions shall be designated with a modifier to identify them as Market Order Auction trades. The market orders that are eligible for, but not executed in the Market Order Auction, shall become eligible for execution in the Core Trading Session immediately upon conclusion of the Market Order Auction.

- (d) Reserved.
- (e) *Transition to Core Trading Session.*
 - (1) Limited Price Orders entered before 6:28 am (Pacific Time) shall participate in the Market Order Auction. Limited Price Orders designated for the Core Trading Session entered after 6:28 am (Pacific Time) shall become eligible for execution at 6:30 am (Pacific Time) or at the conclusion of the Market Order Auction, whichever is later.
 - (2) Market orders entered after 6:28 am (Pacific Time) and before 6:30 am (Pacific Time), which are eligible for either the Market Order Auction or the Core Trading Session, shall become eligible for execution at 6:30 am (Pacific Time) or at the conclusion of the Market Order Auction, whichever is later, unless otherwise provided in Rule 7.30(c)(2)(C).
 - (3) Stop Orders entered before or during the Opening Session become eligible for execution at 6:30 am (Pacific Time) or at the conclusion of the Market Order Auction, whichever is later.

Order Ranking and Display

Rule 7.36. The Archipelago Exchange shall display to Users and other market participants all non-marketable limit orders in the Display Order Process. The Archipelago Exchange will also disseminate current consolidated quotations/last sale information, and such other market information as may be made available from time to time pursuant to agreement between the Corporation and other market centers.

(a) *Ranking.* Orders of Users shall be ranked and maintained in the Display Order Process and/or Working Order Process of the Arca Book according to price-time priority, such that within each price level, all orders shall be organized by the time of entry in the following manner.

(1) *Display Order Process.* Within the Display Order Process:

- (A) Limit orders, with no other conditions, shall be ranked based on the specified limit price and the time of original order entry.
- (B) The displayed portion of Reserve Orders (not the reserve size) shall be ranked at the specified limit price and the time of order entry. If the displayed portion of the Reserve Order is decremented in its entirety, the displayed portion of the Reserve Order shall be refreshed for the displayed amount from the reserve portion and shall be submitted and ranked at the specified limit price and the new time that the displayed portion of the order was refreshed.
- (C) Discretionary Orders shall be ranked based on the displayed price (not the discretionary price) and the time of order entry. If a Discretionary Order is decremented, it remains ranked based on the displayed price and the time of original order entry.

(2) *Working Order Process.* Within the Working Order Process:

- (A) The reserve portion of Reserve Orders shall be ranked based on the specified limit price and the time of original order entry. After the displayed portion of a Reserve Order is refreshed from the reserve portion, the reserve portion remains ranked based on the original time of order entry, while the displayed portion is sent to the Display Order Process with a new time-stamp.
- (B) Discretionary Orders shall be ranked based on the displayed price and the time of original order entry. After a Discretionary Order is decremented, it remains ranked as described above.
- (C) All-or-None Orders shall be ranked based on the specified limit price and the time of order entry.

(b) *Display.* All orders at all price levels in the Display Order Process of the Arca Book shall be displayed to all Users and other market participants on an anonymous basis.

(c) *Dissemination.* The best-ranked displayed order(s) to buy and the best ranked displayed order(s) to sell in the Arca Book and the aggregate displayed size of such orders

associated with such prices shall be collected and made available to quotation vendors for dissemination pursuant to the requirements of Rule 11Ac1-1 under the Exchange Act.

Order Execution

Rule 7.37. Subject to the restrictions on short sales under Rule 10a-1 under the Exchange Act, like-priced orders, bids and offers shall be matched for execution by following Steps 1 through 5 in this Rule; provided, however, for an execution to occur in any Order Process, the price must be equal to or better than the NBBO, unless the Archipelago Exchange has routed orders to all away markets at the NBBO.

(a) *Step 1: Directed Order Process.* During Core Trading Hours only, orders may be matched and executed in the Directed Order Process as follows:

- (1) If a User submits a marketable Directed Order to the Archipelago Exchange and the User's designated Market Maker has a standing instruction for a Directed Fill to the Archipelago Exchange, the Directed Order shall be executed against the Directed Fill of the designated Market Maker.
- (2) If a User submits a marketable Directed Order to the Archipelago Exchange and the User's designated Market Maker has not submitted an instruction for a Directed Fill, the Directed Order shall enter the Display Order Process, as described in subsection (b) of this Rule.
- (3) If a User submits any order other than a marketable Directed Order to the Archipelago Exchange, the User's order immediately shall enter the Display Order Process, as described in subsection (b) of this Rule, without interacting with any Directed Fills.

(b) If an incoming marketable order has not been executed in its entirety pursuant to paragraph (a) of this Rule, any remaining part of the order shall be routed to the Display Order Process.

(1) *Step 2: Display Order Process.*

- (A) An incoming marketable order shall first attempt to be matched for execution against orders the Display Order Process at the display price of the resident order for the total amount of stock available at that price or for the size of the incoming order, whichever is smaller. For the purposes of this subsection, the size of an incoming Reserve Order includes the displayed and reserve size and the size of the portion of the Reserve Order resident in the Display Order Process is equal to its displayed size. If the incoming marketable order has not been executed in its entirety, the remaining part of the order shall be routed to the Working Order Process.

(B) An incoming order that is not marketable shall enter the Working Order Process to be executed against any Discretionary Orders at or better than the NBBO.

(2) *Step 3: Working Order Process.*

(A) An incoming marketable order shall be matched for execution against orders in the Working Order Process in the following manner:

(i) An incoming marketable order shall be matched against orders within the Working Order Process in the order of their ranking, at the price of the displayed portion (or in the case of an All-or-None Order, at the limit price), for the total amount of stock available at that price or for the size of the incoming order, whichever is smaller.

(ii) If the BBO is outside the NBBO and any Discretionary Orders within the Working Order Process have a discretionary price equal to or better than the NBBO, the incoming order shall execute against such Discretionary Order(s) at the NBBO up to the size of the smaller of the two orders.

(iii) If an incoming marketable order is a Discretionary Order or a Reserve Order and its prices overlap with the prices of a Discretionary Order(s) in the Working Order Process, then the orders will be executed at the display price of the order that was entered first up to the size of the smaller of the two orders. For the purposes of this subsection, the size of the incoming Reserve Order includes the displayed and reserve size.

(iv) If the incoming marketable order has not been executed in its entirety, the remaining part of the order shall be routed to the Tracking Order Process.

(B) An incoming order that is not marketable shall be matched for execution against orders in the Working Order Process in the following manner:

(i) The incoming order shall be matched against any Discretionary Orders in the Working Order Process that have discretionary prices that would satisfy an otherwise

displayable incoming Limited Price Order. The execution shall occur at the limited price of the incoming order.

(ii) If the incoming order is a Discretionary Order and its prices overlap with the prices of a Discretionary Order in the Working Order Process, then the orders will be executed at the discretionary price of the incoming order that would be the best price available for the order entered first.

(C) If any change in the NBBO or other available away trading interest would cause a potential match between the away order and an order in the Working Order Process, a commitment to trade shall be sent to that market center or market participant pursuant to Step 5 below.

(c) *Step 4: Tracking Order Process.* During Core Trading Hours only, orders may be matched and executed in the Tracking Order Process as follows: If an order has not been executed in its entirety pursuant to paragraphs (a) and (b) of this Rule, the Archipelago Exchange shall match and execute any remaining part of the order in the Tracking Order Process in the following manner; provided, however, any portion of an order received from another market center or market participant shall be cancelled immediately:

- (1) If the unfilled order is a mixed lot or round lot order, the order shall be matched against any Tracking Orders pursuant to the rotation pattern described in Rule 7.31(f)(3) for immediate execution thereafter. After the order has been matched against any Tracking Orders, if the order has not been executed in its entirety and the remaining part of the order is an odd lot, the odd lot order shall be executed in the Odd Lot Tracking Order Process, as described in paragraph (2).
- (2) If the unfilled order is an odd lot, the order shall be matched in the Odd Lot Tracking Order Process against any OLTOs pursuant to the rotation pattern described in Rule 7.31(f)(3) for immediate execution thereafter.

(d) *Step 5: Routing Away.*

- (1) If an order has not been executed in its entirety pursuant to paragraphs (a) through (c) of this Rule and it has been designated as a Fill-or-Return, Fill-or-Return Plus Order or PNP Order, the order shall be cancelled, without routing the order to another market center or market participant.
- (2) If an order has not been executed in its entirety pursuant to paragraphs (a) through (c) of this Rule and it has not been designated as a Fill-or-Return, Fill-or-Return Plus Order or PNP Order, the order shall be routed for execution as follows:

- (A) The order shall be routed, either in its entirety or as component orders, to another market center or market participant as a limit order priced at the quote published by the market center or market participant.
- (B) The Archipelago Exchange shall attempt to match the part of the order that has not been routed away against then available trading interest in the Archipelago Exchange for an internal fill by following Steps 1 through 4 as set forth in paragraphs (a) through (c) above.
- (C) Orders routed to other market centers or market participants shall remain outside the Archipelago Exchange for a prescribed time period during which they may be executed (in whole or in part) or declined. While an order remains outside the Archipelago Exchange, it shall have no time standing, relative to other orders received from Users at the same price which may be executed against the Arca Book. Requests from Users to cancel their orders while the order is routed away to another market center or market participant and remains outside the Archipelago Exchange shall be processed, subject to the applicable trading rules of the relevant market center or market participant.
- (D) In the event that a marketable order routed from the Archipelago Exchange to another market center or market participant is not executed in its entirety at the other market center or market participant's quote (*i.e.*, all attempts at the fill are declined or timed-out), the Archipelago Exchange shall attempt to match the residual or declined market order against then available trading interest in the Archipelago Exchange for an internal fill by following Steps 1 through 4 as set forth in paragraphs (a) through (c) above. Any remaining unmatched trading interest shall be re-routed to another market center or market participant at the next available displayed price level pursuant to this paragraph (d)(2) above.
- (E) When routing an order in an Eligible Security away to another market center, the Corporation shall utilize such electronic intermarket linkages and order delivery facilities as may be approved by the Board of Directors from time to time, subject to such applicable requirements as may be agreed to with the relevant market center.

(e) If an order has not been executed in its entirety after following Steps 1 - 5, the order shall be ranked in the Arca Book pursuant to Rule 7.36.

Odd and Mixed Lots

Rule 7.38(a) *Order Types.*

- (1) *Odd Lots.* All odd lot orders submitted by Users to the Archipelago Exchange must be market orders or limit orders, where such orders are subject to no additional conditions (e.g., odd lot orders may not be Working Orders, Directed Orders, Directed Fills, Tracking Orders, etc.), provided, however, Odd Lot Dealers may submit OLTOs.
- (2) *Mixed Lots.* Mixed lot orders submitted by Users to the Archipelago Exchange may be any order type supported by the Archipelago Exchange.

(b) *Ranking and Execution.* Round lot, mixed lot and odd lot orders are treated in the same manner in the Archipelago Exchange; provided, however, the Tracking Order Process treats odd lot orders in a different manner from mixed lot and round lot orders.

(c) *Prohibitions.* It shall be considered conduct inconsistent with just and equitable principles for ETP Holders to engage in the following actions:

- (1) Combining odd lot orders given by different customers into a round lot order or orders unless specifically requested to do so by the customers giving the orders;
- (2) Unbundling round lots for the purpose of entering odd lot limit orders in comparable amounts;
- (3) Failing to aggregate odd lot orders into round lots when such orders are for the same account or for various accounts in which there is a common monetary interest; and
- (4) Entering both buy and sell odd lot limit orders in the same stock before one of the orders is executed for the purpose of capturing the spread in the stock.

Interaction with PCXE Application of the OptiMark System

Rule 7.39(a) The information from the Arca Book (including Working Orders), but not the orders themselves, shall be submitted to the PCXE Application at all relevant times during Core Trading Hours, as set forth in Rule 7.47.

(b) The Archipelago Exchange may receive Immediate-or-Cancel Orders from the PCXE Application as set forth in Rule 7.48. Such Immediate-or-Cancel Orders shall be treated as a User order once submitted to the Archipelago Exchange.

Trade Execution and Reporting

Rule 7.40. Executions occurring as a result of orders matched against the Arca Book shall be reported by the Corporation to an appropriate consolidated transaction reportings system. Executions occurring as a result of orders routed away from the Archipelago Exchange shall be reported to an appropriate consolidated transaction reporting system by the relevant reporting market center. The Archipelago Exchange shall promptly notify Users of all executions of their orders as soon as such executions take place.

Clearance and Settlement

Rule 7.41. The details of each transaction executed within the Archipelago Exchange shall be automatically processed for clearance and settlement on a locked-in basis. ETP Holders need not separately report their transactions to the Corporation for trade comparison purposes. All transactions effected by a Sponsored Participant shall be cleared and settled, using the relevant Sponsoring ETP Holder's mnemonic (or its clearing firm's mnemonic as applicable).

Limitation of Liability

Rule 7.42(a). Neither the Corporation, any affiliate of the Corporation, Archipelago Exchange, L.L.C., nor any affiliate of the Archipelago Exchange, L.L.C., shall be liable to Users for any loss, damages, claim or expense:

- (1) growing out of the use or enjoyment of the Archipelago Exchange; or
- (2) arising from or occasioned by any inaccuracy, error or delay in, or omission of or from the collection, calculation, compilation, maintenance, reporting or dissemination of any information derived from the Archipelago Exchange, resulting either from any act or omission by the Corporation, any affiliate of the Corporation, Archipelago Exchange, L.L.C., or any affiliate of Archipelago Exchange, L.L.C., or from any act condition or cause beyond the reasonable control of the Corporation, any affiliate of the Corporation, Archipelago Exchange, L.L.C., or any affiliate of Archipelago Exchange, L.L.C., including, but not limited to, flood, extraordinary weather conditions, earthquake or other acts of God, fire, war, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction.

(b) Each ETP Holder expressly agrees, in consideration of the issuance of the ETP, to release and discharge the Corporation, any affiliate of the Corporation, Archipelago Exchange, L.L.C., and any affiliate of the Archipelago Exchange, L.L.C., and any officers, directors, employees and agents thereof, of and from all claims and damages arising from their acceptance and use of the Archipelago Exchange.

(c) Neither the Corporation, any affiliate of the Corporation, Archipelago Exchange, L.L.C., nor any affiliate of the Archipelago Exchange, L.L.C., makes any express or implied

warranties or conditions to Users as to results that any person or party may obtain from the Archipelago Exchange for trading or for any other purpose, and all warranties of merchantability or fitness for a particular purpose or use, title, and non-infringement with respect to the Archipelago Exchange are hereby disclaimed.

Rule 7.43. Reserved.

Rule 7.44. Reserved.

Section 4. PCXE Application of the OptiMark System

PCX Equities, Inc. Application of the OptiMark System

Definitions

Rule 7.45(a). *Definitions.* Whenever and wherever used herein, unless the context requires otherwise, the following terms shall be deemed to have the meanings indicated:

- (1) The term "Cycle" shall mean the series of calculations performed by the OptiMark System to process Profiles available at commencement of such Cycle into Orders.
- (2) The term "Designated Broker" shall mean a broker-dealer that has been issued an ETP by the Corporation who has been designated by a non-ETP User to execute, clear and settle transactions resulting from the Application.
- (3) The term "Supplemental Account Agreement" shall mean the form of Agreement between a non-ETP User and a Designated Broker under which Orders of the non-ETP User and resulting transactions will be executed, cleared and settled, using the Designated Broker's mnemonic (or its clearing broker's mnemonic as applicable).
- (4) The term "OptiMark System" shall mean the electronic communications and information system operated by OptiMark Services, Inc., to support the trading service offered by the Corporation as its facility.
- (5) The term "Orders" shall mean one or more orders generated from a Cycle at specific prices and sizes at which execution immediately may occur; provided, however, an Order to be matched against a limit order from the Arca Book shall be routed to the Archipelago Exchange as an immediate-or cancel order. Orders in Eligible Securities for execution on the Corporation or other ITS participating market centers shall be in round lots equal to or greater than 1,000 shares, except for Orders resulting from processing CQS Profiles (as defined below) and those Profiles created

from the Arca Book that may be in any round lot size, and in price increments conforming to the requirements of the Corporation's Rules and policies applicable to all orders executed on the Archipelago Exchange; provided, however, that Orders may be generated from central processing of the Profiles designated for the midpoint pricing service by the OptiMark System in conformance with the trading differential in Rule 7.6(a), Commentary .04. Such Orders shall be considered "immediate or cancel" orders within the meaning of the Corporation's Rule 7.31 and shall include the following information:

- (A) the stock ticker symbol;
 - (B) a designation as "buy," "sell long," or "sell short"; and
 - (C) such other information as may be required by the Board.
- (6) The term "Profile" shall mean the expression of trading interest received by the OptiMark System in the form of a satisfaction profile that shows the User's degree of satisfaction (expressed as a number between zero and one) to trade at each coordinate of the price/size grid. The term "CQS Profile" means the satisfaction profile generated by the OptiMark System from processing quotations of other market centers from the CQS that can be accessed by ITS/CAES. The term "Arca Profile" means the satisfaction profile generated by the OptiMark System from processing the Arca Book.
- (7) The term "PCXE Application" (or "Application") shall mean the Corporation's trading service facility consisting of certain electronic communications and information services of the OptiMark System provided on a non-exclusive basis through the necessary communications interfaces ("PCX Interfaces") between the OptiMark System and the Corporation's computerized order system and other facilities to permit execution of Orders in Eligible Securities and to receive executions and reports in respect thereof, all in accordance with these Rules and other applicable Rules and policies of the Corporation.
- (8) The term "Designated Broker Consent Agreement" shall mean the form of Agreement between the Designated Broker and OptiMark Services, Inc. under which the Designated Broker authorizes Orders of a non-ETP User to be automatically routed, executed and reported in the Designated Broker's name.
- (9) The term "User" shall mean a subscriber who has entered into an appropriate subscription agreement ("User Agreement") with OptiMark Services, Inc.

Access

Rule 7.46. The PCXE Application shall be available for all interested ETP Holders that decide to become Users. A non-ETP Holder may obtain access to the PCXE Application only if such access is authorized in advance by one or more Designated Brokers in accordance with the terms of the applicable Supplemental Account Agreement and the Designated Broker Consent Agreement. Both agreements shall be in force before a non-ETP Holder User may be given the authorization to obtain access to the PCXE Application. At a minimum, the Supplemental Account Agreement and the Designated Broker Consent Agreement shall include any applicable credit limits imposed by the Designated Broker on the non-ETP Holder User; the Designated Broker's undertaking that it is responsible for that non-ETP Holder User's Orders and resulting transactions; and such other terms and conditions that may be agreed to from time to time. The Corporation shall be provided with a written statement from the Designated Broker acknowledging its responsibility for such Orders and resulting transactions.

Entry of Profiles and Generation of Orders

Rule 7.47(a). *Entry of Profiles.* Users shall submit Profiles by means of and as required by telecommunications access services of the OptiMark System, which Profiles shall be appropriately validated against any applicable credit limits. The User Agreement shall describe the functions and features of the OptiMark System as well as acceptable Profiles.

(b) *Interaction with the Archipelago Exchange.* The information from the Arca Book (including Working orders) shall be submitted to the PCXE Application at all relevant times during Core Trading Hours in the form of Arca Profiles.

(c) *Central Processing.* Profiles available when a Cycle commences shall be centrally processed by the OptiMark System into Orders, based on a computer algorithm that measures and ranks all relevant mutual satisfaction outcomes by matching individual coordinates from intersecting Buy Profiles and Sell Profiles. Buy and sell coordinates eligible for matching shall result in Orders when they are matched by the OptiMark System as set forth in the addendum to the User Agreement in accordance with:

- (1) priority based on price, standing, time of entry and size when considering potential matches only between eligible buy and sell coordinates each of which represents the full satisfaction value to trade at the associated price and size and
- (2) priority based on mutual satisfaction, time of entry, and size, when considering all other potential matches; provided, however, that no Orders may be generated in violation of applicable User instructions such as the maximum quantity of shares to be bought or sold or any additional boundary conditions; and provided further that no Orders designated as "sell short" may be generated for execution at a price (A) below the price of the immediately preceding match (or the last sale price reported on a

consolidated transaction reporting system immediately prior to commencement of the Cycle in the case of the initial match of that Cycle) or (B) at such price unless such price is above the next preceding different price.

Commentary:

.01. For the purpose of this Rule, a profile for the proprietary account of an ETP Holder (other than for a Market Maker) will be deemed “principle exempt” and therefore receive the priority treatment of agency profiles but only when such person does not hold or have knowledge that his or her firm or any participant therein holds or has knowledge of a customer’s profile or order at the same price or better. If the ETP Holder holds or has knowledge of such customer profile or order, the ETP Holder will be deemed non-exempt and must designate any proprietary profile as “principal non-exempt.”

.02. After screening for price and standing, the matching algorithm will rank the following categories of profiles and order types for time priority purposes:

- (1) Arca Profiles;
- (2) Agency – other public customer profiles, non-ETP profiles, and “principal-exempt” proprietary profiles entered directly into OptiMark;
- (3) Principal – proprietary profiles submitted by Market Makers, and “non-exempt” ETP Holders (considered “principal non-exempt”); and
- (4) CQS Profiles.

(d) *Frequency.* Cycles respecting an Eligible Security shall be scheduled at one or more specified times throughout the trading day after the opening of the market in that security and prior to the closing of the market. The maximum frequency with which Cycles may take place throughout the trading day shall be 90 seconds, while the minimum shall be once a day. The exact frequency of Cycles as to any given Corporation Security shall be determined by OptiMark Services, Inc., based on the general characteristics of the security, the robustness of the associated Profile flow over a period and the current level of interest expressed by Users, and may be subsequently altered in response to subsequent developments in the above-stated market circumstances. Any change in the frequency of Cycles will be effective upon three days' notice to the User in advance; provided, however, that at all relevant times, the Corporation finds any such scheduling of Cycles to be commensurate with the demand for the PCXE Application among ETP Holders and their customers and also consistent with the safeguards in place to ensure system capacity and integrity.

Order Execution and Reporting

Rule 7.48(a). Orders in Eligible Securities generated from a Cycle shall be immediately thereafter routed and executed on the Corporation or other ITS participant markets. Orders in

Eligible Securities executed on the Corporation shall be appropriately reported to the Tape. Users will receive a report of any execution resulting from processing the Profiles submitted by them as soon as possible after the execution takes place, and Designated Brokers will generally be notified promptly after the close of the trading day.

(b) Notwithstanding paragraph (a) of this Rule, any Order generated from a Cycle representing matches involving Arca Profiles shall be routed to the Archipelago Exchange for execution against the relevant the Archipelago Exchange limit order as an Immediate-or-Cancel Order. If the relevant Archipelago Exchange limit order is no longer available, the Order generated from the Cycle shall be automatically canceled.

Hours of Operation

Rule 7.49. The PCXE Application will be available for execution of Orders and routing of ITS commitments during the Core Trading Hours.

Errors

Rule 7.50. Whenever a User discovers an error in a transaction resulting from the PCXE Application, such error may be corrected in accordance with the rules of the applicable market center and clearing arrangement through which the transaction is executed and settled.

Trading Suspension and Halts

Rule 7.51. In the event of a suspension in trading of an Eligible Security pursuant to Rule 7.12, the Corporation shall suspend the related trading activities respecting that security through the PCXE Application. In addition, the trading activities through the PCXE Application respecting all Eligible Securities shall halt whenever the President or, in the President's absence, Chief Operating Officer or other PCXE Officer(s) as the President may designate, determines that market conditions warrant such a halt. The Corporation may suspend the trading activities through the PCXE Application relating to one or more Eligible Securities at any other time upon consultation with OptiMark Technologies, Inc., if deemed necessary and proper to preserve system capacity and integrity.

Limitation of Liability

Rule 7.52(a). *Limitation of Liability.* Neither the Corporation, any affiliate, nor any operator, licensor or administrator of the OptiMark System shall have any liability to Users or Designated Brokers for any loss, damages, claim or expense arising from or occasioned by any inaccuracy, error or delay in, or omission of or from:

- (1) the PCXE Application of the OptiMark System or
- (2) the collection, calculation, compilation, maintenance, reporting or dissemination of any information derived from the PCXE Application or the OptiMark System, resulting either from any act or omission by the

Corporation or any affiliate, or any operator, licensor or administrator of the OptiMark System or from any act, condition or cause beyond the reasonable control of the Corporation or any affiliate, or any operator, licensor or administrator of the OptiMark System, including, but not limited to, flood, extraordinary weather conditions, earthquake or other acts of God, fire, war, insurrection, riot, labor dispute, accident, action of government, communications or power failure, or equipment or software malfunction.

(b) Neither the Corporation, any affiliate, nor any operator, licensor or administrator of the OptiMark System makes any express or implied warranties or conditions to Users or Designated Brokers as to results that any person or party may obtain from the PCXE Application for trading or for any other purpose, and all warranties of merchantability or fitness for a particular purpose or use, title, and non-infringement with respect to the PCXE Application are hereby disclaimed.

Rule 7.53. Reserved.

Rule 7.54. Reserved.

Section 5. Intermarket Trading System Plan

Definitions

Rule 7.55(a). *Definitions.* Whenever and wherever used herein, unless the context requires otherwise, the following terms shall be deemed to have the meanings indicated:

- (1) The term “Plan” shall mean the plan agreed upon by the participating market centers, as from time to time amended in accordance with the provisions therein, and approved by the Securities and Exchange Commission pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934, as amended (the Act). The purpose of the Plan is to enable the participating market centers to act jointly in planning, developing, operating and regulating the System and its applications so as to further the objectives of Congress as set forth in Section 11A(a) of the Act.
- (2) The term “System” shall mean the communications network and related equipment that links electronically the participating market centers as described in the Plan.
- (3) The term “Eligible Listed Security” shall mean any security admitted to dealings on the Corporation which may be traded through the System.

- (4) The term “Intermarket Trading System” (ITS) shall mean the application of the System which permits intra-day trading in Eligible Listed Securities between participating market centers as set forth in the Plan.
- (5) The term “Pre-Opening Application” shall mean the application of the System which permits a market maker in one participating market, who wishes to open his or her market in an Eligible Listed Security, to obtain from other market makers registered in that security in other participating markets, any pre-opening interests such other market makers might decide to disclose as set forth in the Plan.
- (6) The term “CTA Plan” shall mean the plan filed with the Securities and Exchange Commission (“SEC”) pursuant to SEC Rule 17a-15 (subsequently amended and redesignated as Rule 11Aa3-1), approved by the SEC and declared effective as of May 17, 1974, as from time to time amended.
- (7) The term “Network A Eligible Security” shall have the meaning as assigned to that term in the CTA Plan.
- (8) The term “Network B Eligible Security” shall have the meaning as assigned to that term in the CTA Plan.
- (9) The term “Previous Day's Consolidated Closing Price” shall mean the last price at which a transaction in a security was reported by the consolidated last sale reporting system on the last previous day on which transactions in the security were reported by such system.
- (10) “Participant(s) Market” means each Exchange Market and the ITS/CAES Third Market.

Intermarket Trading System Application

(b) *Provisions of the Plan.* The Corporation has agreed to comply to the best of its ability, and, absent reasonable justification or excuse, to enforce compliance by its ETP Holders with the provisions of the Plan. In this connection, the following shall apply:

Intermarket Trading System (ITS)

- (1) All transactions effected through ITS shall be on a “regular way” basis. Each transaction effected through ITS shall be cleared and settled through a clearing agency registered with the Securities and Exchange Commission which maintains facilities through which ITS transactions may be compared and settled and which agrees to supply each participating market center with data reasonably requested in order to permit such market center to enforce compliance by its members with the provisions of the Act, the rules and regulations thereunder, and the rules of such market center.
- (2) Any “commitment to trade”, which is transmitted by an ETP Holder, via the facilities of the Corporation, to another participating market center through ITS, shall be firm and irrevocable for the period of time applicable to such commitment. All such commitments to trade shall:
 - (A) specify the security which is the subject of the commitment;
 - (B) designate the commitment as either a commitment to buy or a commitment to sell;
 - (C) specify the amount of the security to be bought or sold, which amount shall be for one unit of trading or any multiple thereof;
 - (D) specify the price at or below which the security is to be bought or the price at or above which the security is to be sold, or specify that the commitment is a commitment to trade “at the market;”
 - (E) designate the commitment “short” or “short exempt” whenever it is a commitment to sell which, if it should result in an execution in the market of the receiving market center, would result in a short sale to which the provisions of paragraph (a) of Rule 10a-1 under the Act would apply; and
 - (F) specify the time period during which the commitment shall be irrevocable, but if the time period is not specified in the commitment, the longer of the two options available under the Plan shall be assumed by ITS.
- (3) Each commitment to trade sent through ITS (other than a commitment to trade “at the market”), if a commitment to buy, shall be priced at the offer price then being displayed from the market center to which the commitment is sent and, if a commitment to sell, shall be priced at the bid price then being displayed from such market center.

- (4) The ETP Holder who made the bid or offer which is sought by a commitment to trade received through ITS shall accept such commitment to trade, via the facilities of the Corporation, up to the amount of the bid or offer if the bid or offer is still available when the commitment to trade is received by such ETP Holder, via the facilities of the Corporation, unless acceptance is precluded by the Rules of the Corporation. In the event that the bid or offer which is sought by a commitment to trade is no longer available through the facilities of the Corporation when the commitment is received, but a new bid or offer is available through the facilities of the Corporation which would enable the commitment to trade to be executed at a price which is more favorable than the price specified in such commitment, then the ETP Holder who made the bid or offer shall accept, via the facilities of the Corporation, such commitment at the price, and up to the amount of, the new bid or offer, unless acceptance is precluded by the Rules of the Corporation.
- (5) Any ETP Holder who receives, via the facilities of the Corporation, a commitment to trade through ITS from another market center and who intends to reject that commitment shall notify, via the facilities of the Corporation, the market center from which the commitment was sent of such rejection as promptly as possible.
- (6) Any commitment to trade received through ITS and any execution thereof and any commitment to trade issued by an ETP Holder, via the facilities of the Corporation, through ITS shall be subject to such Rules as the Corporation may from time to time determine.

Pre-Opening Application

- (7) The provisions of subparagraph (1) above shall also be applicable to any transaction effected through the Pre-Opening Application. The Pre-Opening Application applies in two instances. First, it applies whenever a market maker in any Participant market, in arranging an opening transaction in his or her market in a System security, anticipates that the opening transaction will be at a price that represents a change from the security's "previous day's consolidated closing price" at more than the "applicable price change." Second, it applies whenever an "indication of interest" (i.e., an anticipated opening price range) is sent to the CTA Plan Processor as required or permitted by the CTA Plan or a Participant market's rules.
- (8) Openings
 - (A) Notification Requirements
 - (i) Applicable Price Change

- (1) Initial Notification—Whenever a Market Maker, in arranging an opening transaction through the facilities of the Corporation in any Eligible Listed Security, anticipates that the opening transaction through the facilities of the Corporation will be at a price that represents a change from the security's previous day's consolidated closing price of more than the “applicable price change” (as defined below), he or she, via the facilities of the Corporation, shall notify the other Participant markets of the situation by sending a “pre-opening notification” through the System. Thereafter, the Market Maker shall not open the security in his or her market until not less than three minutes after the transmission of the pre-opening notification. The “applicable price changes” are:

Security	Consolidated Closing Price	Applicable Price Change (More Than)
Network A	Under \$15	.10 or 1/8 point
	\$15 or over*	.25 or 1/4 point
Network B	Under \$5	.10 or 1/8 point
	\$5 or over*	.25 or 1/4 point

—A pre-opening notification shall:

- (A) be designated as a pre-opening notification (“IND”);
- (B) identify the participant market (“P”), the Market Maker and the security (“XYZ”); and

* If the previous day's consolidated closing price of a Network A Eligible Security exceeded \$100 and the security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the “applicable price change” is one dollar.

* If the previous day's consolidated closing price of a Network B Eligible Security exceeded \$75 and the security is not a Portfolio Depositary Receipt, Index Fund Share, or Trust Issued Receipt, or does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the “applicable price change” is one dollar.

- (C) indicate the “applicable price range” by being formatted as a standardized pre-opening administrative message as follows:

IND P/XYZ (RANGE)

The price range shall not exceed the “applicable price range” shown below:

Security	Consolidated Closing Price	Applicable Price Change (More Than)
Network A	Under \$50	.50 or 1/2 point
	\$50 or over*	1 point or, for stocks trading in decimals, 1.00
Network B	Under \$10	.50 or 1/2 point
	\$10 or over *	1 point or, for stocks trading in decimals, 1.00

The price range also shall not straddle the previous day's consolidated closing price, although it may include it as an endpoint (e.g., a .10 - .60 or 1/8—5/8 price range would be permissible if the previous day's consolidated closing price were .10 or .60 or 1/8 or 5/8, but not if the closing price were .25, or .40 or .50 or 1/4, or 3/8 or 1/2).

- (2) Subsequent Notifications—If, after sending a pre-opening notification, the situation in a Market Maker's market changes, he or she may have to issue, via the facilities of the Corporation, a

* If the previous day's consolidated closing price of a Network A Eligible Security exceeded \$100 and the security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the “applicable price range” is two dollars.

* If the previous day's consolidated closing price of a Network B Eligible Security exceeded \$75 and the security is not a Portfolio Depository Receipt, Index Fund Share, or Trust Issued Receipt, or does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the “applicable price change” is two dollars.

subsequent pre-opening notification. The three situations requiring subsequent pre-opening notifications are described below. Subsequent pre-opening notifications shall be standardized pre-opening administrative messages. After sending a subsequent notification, the Market Maker shall wait either (A) one minute or (B) until the balance of the original three-minute waiting period expires whichever is longer, before opening his or her market (i.e., if more than one minute of the initial waiting period has not yet expired at the time the subsequent notification is sent, the Market Maker must wait for the rest of the period to pass before opening his or her market).

- (I) Increase or Decrease in Applicable Price Range—Where, prior to the Market Maker's opening of his or her market in the security, his or her anticipated opening price shifts so that it (1) is outside of the price range specified in his or her pre-opening notification but (2) still represents a change from the previous day's consolidated closing price of more than the applicable price change, he or she shall issue, via the facilities of the Corporation, a replacement pre-opening notification (an “additional” notification) through the System before opening his or her market in the security. An additional notification contains the same kind of information as is required in an original preopening notification.
- (II) Shift to Within Applicable Price Change Parameter—
 - (a) The Market Maker shall, by issuing, via the facilities of the Corporation, a “cancellation” notification through the System, notify the Participant market(s) of the receiving market maker(s) prior to opening the security if the price at which he or she anticipates opening his or her market shifts so that it (1) is outside of the price range specified in his or

her pre-opening notification but (2) does not represent a change from the previous day's consolidated closing price of more than the applicable price change.

- (b) Notwithstanding the preceding sentence, in situations where the price range in an initial or additional notification includes price variations equal to or less than the applicable price change parameters, the “cancellation” notification signifies that the anticipated opening price: (1) may or may not be outside of the price range specified in the pre-opening notification and (2) does not represent a change from the previous day's consolidated closing price of more than the applicable price change. ***

- (III) Participation as Principal Precluded (“Second Look”)—If a responding market maker who has shown in his or her pre-opening response interest as principal at a price better than the anticipated opening price would be precluded from participation as principal in the opening transaction (e.g., his or her responding principal interest is to sell at a price $\frac{1}{8}$ or more below the opening price established by paired agency orders), the Market Maker shall send, via the facilities of the Corporation, a “second look” notification through the System notifying such responding market maker of the price and size at which he or she could participate as principal (i.e., in the parenthetical example above, the total amount of the

*** Example: CTA close at 30. Pre-Opening Notification sent with any one of the following price ranges $30\frac{1}{2}$; $30\frac{1}{8}$ — $5/8$; or $30\frac{1}{4}$ — $3/4$. It is then determined that the stock will open at $29\frac{3}{4}$ or $7/8$. Under paragraph (II)(a), the Market Maker “shall” send, via the facilities of the Corporation, cancellation notification. If it is subsequently determined that stock will open at 30, $30\frac{1}{8}$, or $30\frac{1}{4}$, the Market Maker need not reindicate stock, via the facilities of the Corporation, pursuant to paragraph (II)(b).

security that he or she would have to sell at the 1/8 better price to permit the opening transaction to occur at that price).

- (ii) Tape Indications—If the CTA Plan or the Corporation’s Rules require or permit that an “indication of interest” (i.e., an anticipated opening price range) in a security be furnished to the consolidated last sale reporting system prior to the opening of trading, or reopening of trading following a halt or suspension in trading in one or more Eligible Listed Securities, then the furnishing of an indication of interest, in such situations shall, without any other additional action required of the Market Maker, (1) initiate the Pre-Opening process, and, (2) if applicable, substitute for and satisfy the requirements of paragraphs (8)(A)(i)(1), (8)(A)(i)(2)(I) and (8)(A)(i)(2)(II). (While the furnishing of an indication of interest to the consolidated last sale reporting system satisfies the notification requirements of this Rule, a Market Maker should also transmit, via the facilities of the Corporation, the indication through the System in the format of a standardized pre-opening administrative message.) In any such situation the Market Maker shall not open or reopen the security until not less than three minutes after the transmission of the opening or reopening indication of interest. For the purpose of paragraphs (8)(B)(i), (8)(B)(iii), (8)(A)(i)(2)(III), (8)(B)(iv), (8)(B)(v), (8)(C) and (8)(A)(ii) “pre-opening notification” includes an indication of interest furnished to the consolidated last sale reporting service.

(B) Pre-Opening Responses

- (i) Decision on Opening Transaction—Subject to paragraph (8)(B)(ii). If a Market Maker who has issued, via the facilities of the Corporation, a pre-opening notification receives, via the facilities of the Corporation, “pre-opening responses” through the System containing “obligations to trade” from market makers in other Participant markets (“responding market makers”), he or she shall combine those obligations with orders he or she already holds in the security and, on the basis of this aggregated information, decide upon the opening transaction in the security. If the Market Maker has received, via the facilities of the Corporation, more than one pre-opening response from a Participant market, he or she shall include in such combination only those obligations to trade from such

Participant market as are specified in the most recent response whether or not the most recent response expressly cancels the preceding response(s). An original or revised response received, via the facilities, after the Market Maker has affected his or her opening transaction shall be to no effect.

- (ii) Pre-Opening Responses from Open Markets—A Market Maker, via the facilities of the Corporation, must accept only those pre-opening responses sent to the Corporation by market makers in other Participant markets prior to the opening of the market for trading in the security.¹ Following a halt or suspension in trading on the Corporation, a Market Maker, via the facilities of the Corporation, must accept only those pre-opening responses sent by market makers to the Corporation from other Participant markets that halted trading in the security contemporaneously with the Corporation and that had not resumed trading in the security at the time the pre-opening response is sent.

In the event that one or more market makers from Participant markets that have already opened trading in a security or, with respect to a halt or suspension in trading, either did not halt trading in a security contemporaneously with the Corporation, or has already resumed trading in a security, respond to a pre-opening notification in that security, the Market Maker need not, but may in his or her discretion, accept, via the facilities of the Corporation, such responses for the purpose of inclusion in the opening or reopening transaction. In the event that a Participant market opens or with respect to a halt or suspension in trading, resumes trading in a security subsequent to a market maker in that Participant market sending a pre-opening response but prior to the opening or reopening transaction on the Corporation, the market maker who sent the pre-opening response to the Corporation must confirm the pre-opening response by sending an administrative message through the System stating that the response remains valid: if the market maker fails to so confirm the pre-opening response, the Market Maker need not, but may in his or her discretion, accept, via the facilities of the Corporation, the original response for the purpose of inclusion in the opening or reopening transaction.

¹ For purposes of this section, the market in a security is opened (or reopened) with either a trade or a quotation, if trades are being reported to the Consolidated Tape and quotes are being disseminated on the Consolidated Quotation System.

- (iii) Allocation of Imbalances—Whenever pre-opening responses from one or more responding market makers include obligations to take or supply as principal more than 50 percent of the opening imbalance, the Market Maker may take or supply as principal 50 percent of the imbalance at the opening price, rounded up or down as may be necessary to avoid the allocation of odd lots. In any such case, where the pre-opening response is from more than one responding market maker, the Market Maker shall allocate the remaining imbalance (which may be greater than 50 percent if the Market Maker elects to take or supply less than 50 percent of the imbalance) among them in proportion to the amount each obligated himself or herself to take or supply as principal at the opening price in his or her pre-opening response, rounded up or down as may be necessary to avoid the allocation of odd lots. For the purpose of this paragraph (8)(B)(iii), multiple responding market makers in the same Eligible Listed Security in the same Participant market shall be deemed to be a single responding market maker.
 - (iv) Treatment of Obligations to Trade—In receiving a pre-opening response via the facilities of the Corporation, a Market Maker, via facilities of the Corporation, shall accord to any obligation to trade as agent included in the response the same treatment as he or she would to an order entrusted to him or her as agent on the Corporation at the same time such obligation was received.
 - (v) Responses Increasing the Imbalance—A Market Maker shall not reject, via the facilities of the Corporation, a pre-opening response that has the effect of further increasing the existing imbalance for that reason alone.
- (C) Reports of Participation—Promptly following the opening in any security as to which a Market Maker, via the facilities of the Corporation, issued a pre-opening notification, the Market Maker, via the facilities of the Corporation, shall report to each Participant responsible for a market in which one or more responding market makers are located (i) the amount of the security purchased and/or sold, if any, by the responding market maker(s) in the opening transaction and the price thereof or (ii) if the responding market maker's response(s) included agency or principal interest at the opening price that did not participate in the opening transaction, the fact that such interest did not so participate.

(9) Openings in Other Participating Markets

(A) Pre-Opening Responses—Subject to paragraph (9)(B), whenever a Market Maker, via the facilities of the Corporation, who has received a pre-opening notification as provided in the ITS Plan in any Eligible Listed Security as to which he or she is registered as a Market Maker wishes to participate in the opening of that security in the Participant market from which the pre-opening notification was issued, he or she may do so by sending, via the facilities of the Corporation, obligations to trade through the System to such Participant market in a pre-opening response. A pre-opening response shall:

- (i) be designated as a pre-opening response (“RES”)
- (ii) Identify the Participant market P, the Market Maker and the security (“XYZ”), and
- (iii) Show the Market Maker's interest (if any), both as principal for his or her own account (“P”) and as agent for orders left with him or her (“A”), at each price level within the price-range indicated in the pre-opening notification (e.g., 40 3/8), reflected on a netted share basis by being formatted as a standardized pre-opening administrative message as follows:

RES/P/XYZ BUY A—P 40-3/8

The response may also show market orders separately.

(B) Responses When the Corporation is Open—Notwithstanding paragraph (9)(A), a Market Maker who has received, via the facilities of the Corporation, a pre-opening notification in any Eligible Listed Security in which he or she is registered as a Market Maker should not send, via the facilities of the Corporation, a pre-opening response to the originator of such notification if (i) the market for trading in the security is open on the Corporation or (ii) the Participant market from which the notification emanated had declared a halt or suspension in trading in such security, and the Corporation either had not halted trading in the security reasonably contemporaneously with the Participant Market or had resumed trading during the halt or suspension in trading.

(C) Revised Responses—A Market Maker may cancel or modify his or her pre-opening response by sending through the System, via the

facilities of the Corporation, a revised response that cancels the obligations to trade contained in this original response and, if a modification is desired, that substitutes new obligations to trade stating the Market Maker's aggregate interest (i.e., his or her interest reflected in the original response plus any additional interest and/or minus any withdrawn interest) at each price level. Each succeeding response, even if it fails to expressly cancel its predecessor response, shall supersede the predecessor response in its entirety. Any revised response shall be to no effect if received in the Participant market from which the pre-opening notification was issued after the security has opened in such Participant market.

- (D) Sole Means of Pre-Opening Routing—Once a pre-opening notification as to any security is received through the facilities of the Corporation, the one or more Market Makers in such security shall submit, via the facilities of the Corporation, any obligations to trade that security as principal for his, her or their own accounts to the Participant market from which the pre-opening notification was issued only through the Pre-Opening Application and shall not send orders to trade that security for his, her or their own accounts to such Participant market for participation at the opening in that market by any other means. The foregoing sentence shall have no application to orders sent to that market by the Market Makers, via the facilities of the Corporation, prior to the issuance of a pre-opening notification.
- (E) Use of System before Opening or Reopening—No ETP Holder whether acting as principal or agent, shall send, via the facilities of the Corporation, an obligation to trade, commitment to trade or order in any security in the Participant market or prior to the resumption of trading in the security in the Participant market following the initiation of a halt or suspension in trading in the security until a pre-opening notification in the security has been issued from the other Participant market, or, if no pre-opening notification is required, until the market in the security has opened in such other Participant market.
- (F) Duration of Obligations to Trade—Responses to pre-opening notifications shall be voluntary, but each obligation to trade that a Market Maker includes, via the facilities of the Corporation, in any pre-opening response, or in any modification of a pre-opening response, shall remain binding on him or her, and on any person for whom he or she is acting, until the security has opened in the Participant market from which the pre-opening notification was issued or until a cancellation or modification of such obligation has been received in such Participant market, and any such

modification shall itself be binding on the Market Maker or such person until a subsequent cancellation or modification thereof has been received in such Participant market. The preceding sentence applies to obligations to trade even if included in pre-opening responses contravening paragraph (8)(B).

Commentary:

01. No ETP Holder shall buy against a commitment to sell designated as “short” which is received through the facilities of the Corporation if the resulting transaction would violate the short selling rules.
02. Any purchase or sale against a commitment to trade received through the facilities of the Corporation shall be effected in accordance with the Rules applicable to the making of bids, offers and transactions on the facilities of the Corporation.
03. For the purposes of this Rule, the market in a security is opened (or reopened) with either a trade or quotation, if trades are being reported to the Consolidated Tape and quotes are being disseminated to the Consolidated Quotation System.

ITS “Trade-Throughs” and “Locked Markets”

Rule 7.56(a). *Definitions.*

- (1) An “Exchange trade-through,” as that term is used in this Rule, occurs whenever an ETP Holder initiates the purchase of an Eligible Listed Security through the facilities of the Corporation at a price which is higher than the price at which the security is being offered (or initiates the sale of such a security through the facilities of the Corporation at a price which is lower than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the bid (offer) then being displayed from such other market center. The ETP Holder described in the foregoing sentence is referred to in this Rule as the ETP Holder who initiated a trade-through.
- (2) A “locked market,” as that term is used in this Rule, occurs whenever a bid for an Eligible Listed Security is made in an ITS participating market center at a price which equals or exceeds the price at which that security is being offered (or whenever an offer for such a security in an ITS participating market center is made at a price which equals or is less than the price at which that security is being bid for) at that time in another ITS participating market center as reflected by the offer (bid) then being displayed from such other market center. The bid or offer which results in the locked market is referred to in this Rule as the bid or offer which caused the locked market.

- (3) A “third participating market center trade-through,” as that term is used in this Rule, occurs whenever an ETP Holder initiates the purchase of an Eligible Listed Security by sending a commitment, via the facilities of the Corporation, to trade through the System and such commitment results in an execution at a price which is higher than the price at which the security is being offered (or initiates the sale of such a security by sending, via the facilities of the Corporation, a commitment to trade through the System and such commitment results in an execution at a price which is lower than the price at which the security is being bid for) at the time of purchase (or sale) in another ITS participating market center, as reflected by the offer (bid) then being displayed through the facilities of the Corporation. The ETP Holder described in the foregoing sentence is referred to in this Rule as the “ETP Holder who initiated a third participating market center trade-through.”
 - (4) A “trade-through,” as that term is used in this Rule, means either an Exchange trade-through or a third participating market center trade-through.
- (b) Trade Throughs.
- (1) When purchasing or selling, either as principal or agent, any Eligible Listed Security through the facilities of the Corporation or by issuing, via the facilities of the Corporation, a commitment to trade through the System, ETP Holders should avoid initiating a trade-through unless the provisions of paragraph (b)(3) below are applicable.
 - (2) (A) Except as provided in paragraph (b)(3) below, if a trade-through occurs and a complaint thereof is received by the Corporation through the System from the party whose bid or offer was traded-through (“the aggrieved party”), then:
 - (i) In the case of an Exchange trade-through only, if the ETP Holder who initiated the trade-through and the party on the contra side of the transaction each initiated the transaction through the facilities of the Corporation for his or her own account or any account in which he or she has an interest, the transaction shall be deemed void and a cancellation thereof shall be reported through the consolidated last sale reporting system;
 - (ii) Except as provided in paragraph (b)(2)(A)(i) above, (a) the ETP Holder who initiated the trade-through shall satisfy, or cause to be satisfied the bid or offer traded-through in its entirety either at the price of such bid or offer, or, at the price that caused the trade-through (as determined in

accordance with paragraph (b)(2)(B) below) or, (b) if he or she elects not to do so (and, in the case of a third participating market center trade-through he or she obtains the agreement of the contra party within the ITS participating market center that received the commitment that caused that trade-through), then the price of the transaction which constituted the trade-through shall be corrected to a price at which a trade-through would not have occurred and the price correction shall be reported through the consolidated last sale reporting system.

- (B) The price at which the bid or offer traded-through shall be satisfied pursuant to clause (a) of paragraph (b)(2)(A)(ii) shall be the price of such bid or offer except if:
- (i) the transaction that constituted the trade-through was of “block size” but did not constitute a “block trade” (as those terms are defined in Rule 7.57); and
 - (ii) the ETP Holder who initiated the trade-through did not make every reasonable effort to satisfy or cause to be satisfied, through the System, the bid or offer traded-through at its price and in its entirety within two (2) minutes from the time the report of this transaction that constituted the trade-through was disseminated over the high speed line of the consolidated last sale report system. In the case of such exception, the price at which the bid or offer traded-through shall be satisfied shall be the price that caused the trade-through.

Whenever paragraph (b)(2)(A)(ii) applies, if the ETP Holder who initiated the trade-through, or the party (or the broker/dealer within another ITS participating market center) on the contra side of the transaction was, or if both such parties were executing (in whole or in part) orders that originated from off the facilities of the Corporation or off the Floor of the other respective market centers, each such order or portion thereof that was executed in the transaction that constituted the trade-through (whether such order or portion thereof was executed by the party who initiated the trade-through or by the member or a broker/dealer within another ITS participating market center on the contra side of the transaction) shall receive the price that caused the trade-through or the price at which the bid or offer traded-through was satisfied, if it was satisfied, pursuant to clause (a) of paragraph (b)(2)(A)(ii) or the adjusted price, if there was an adjustment, pursuant to clause (b) of paragraph (b)(2)(A)(ii), whichever price is most beneficial to the order or portion. Resulting money

differences shall be the liability of the party who initiated the trade through.

- (3) The provisions of paragraph (b)(2) above shall not apply under the following conditions:
 - (A) the size of the bid or offer that was traded-through was for 100 shares;
 - (B) the party who initiated the trade-through was unable to avoid the trade-through because of a systems/equipment failure or malfunction;
 - (C) the transaction which constituted the trade-through was not a “regular way” contract;
 - (D) the trade-through occurred during a period when, with respect to the Eligible Listed Security which was the subject of the trade-through, ETP Holders were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1; provided, however, that, unless the provisions of this paragraph (b)(3) (other than those of this proviso) apply, during any such period ETP Holders shall make every reasonable effort to avoid trading-through any bid or offer displayed on the Floor from another ITS participating market center whose members are not relieved of their obligations under said paragraph (c)(2) with respect to such bid or offer;
 - (E) the bid or offer that was traded-through was being displayed from a market center whose members were relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1;
 - (F) the bid or offer that was traded-through had caused a locked market in the Eligible Listed Security which was the subject of such bid or offer; or
 - (G) a complaint with respect to the trade-through was not received by the Corporation through the System from the aggrieved party promptly following the trade-through and, in any event, (i) within five (5) minutes from the time the transaction which constituted the trade-through was disseminated over the high-speed line of the consolidated last sale reporting system, or (ii) in the case of a third participating market center trade-through, within ten (10) minutes

from the time the aggrieved party sent a complaint through the System to the market center that received the commitment to trade that caused the trade-through, which first complaint must have been received within five (5) minutes from the time the transaction which constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system.

(c) *Complaints and Responses to Complaints.*

- (1) When a trade-through complaint is received by the Corporation, it shall be the duty of the ETP Holder who initiated the trade-through to respond as promptly as practicable to the aggrieved party. Such a response shall notify the aggrieved party either:
 - (A) that one of the conditions specified in paragraph (b)(3) of this Rule is applicable (specifying the particular condition); or
 - (B) that the complaint is valid and appropriate corrective action is being taken pursuant to paragraph (b)(2) above.
- (2) If it is ultimately determined that there was a trade-through, that the action required by either paragraph (b)(2)(A) or (b)(2)(B) above was not taken, and that none of the provisions of paragraph (b)(3) above was applicable, the party who initiated the trade-through shall be liable to the aggrieved party for the lesser of:
 - (A) the amount of the actual loss proximately caused by the trade-through and suffered by the aggrieved party; or
 - (B) the loss proximately caused by the trade-through that would have been suffered by the aggrieved party had he or she purchased or sold the security subject to the trade-through so as to mitigate his or her loss and had such purchase or sale been effected at the “loss basis price.”

For purposes of this paragraph, the “loss basis price” shall be the price of the next transaction, as reported by the high speed line of the consolidated last sale reporting system, in the security in question, after one hour has lapsed from the time the complaint is received by the Corporation (or, if the complaint is so received within the last hour of trading on the Corporation on any day, then the price of the opening transaction in such security being displayed through the facilities of the Corporation on the next day on which the Corporation trades that security).

- (3) Any ETP Holder who is an aggrieved party may at any time, at his or her discretion, take steps to establish and mitigate any loss he or she might

incur as a result of the trade-through. He or she shall give prompt notice to the other market center of any such action.

- (4) If a complaint of a purported trade-through is received by the Corporation and the complained-of transaction resulted from an ETP Holder's execution through the facilities of the Corporation of a commitment to trade received from another ITS participating market center, the ETP Holder should, if circumstances permit, make reasonable efforts to notify the complaining party as promptly as practicable following receipt of the complaint, (A) that the transaction was not initiated through the facilities of the Corporation and (B) of the identity of the ITS participating market center that originated the commitment. Neither compliance nor non-compliance with the preceding sentence shall be the basis for any liability of the ETP Holder for any loss associated with the complained-of transaction.
- (5) If a transaction that resulted from the ETP Holder's execution through the facilities of the Corporation of a commitment to trade constitutes a trade-through under the rules of the originating ITS participating market center, then:
 - (A) if the broker/dealer on such market center who initiated the transaction requests that the ETP Holder correct the price of such transaction in accordance with the counterpart in such market center's trade-through rule to paragraph (b)(2)(A)(ii)(b) of this Rule, the ETP Holder may, but need not, acquiesce and so correct the price; and
 - (B) paragraph (b)(2)(C) of this Rule shall apply as if the ETP Holder were a contra party within the meaning of that paragraph.

(d) *Locked Markets.*

- (1) Except as provided in paragraph (d)(2) below, an ETP Holder who makes a bid for an Eligible Listed Security through the facilities of the Corporation and, in so doing, causes a locked market with another ITS participating market center, and the Corporation receives a complaint through the System from the market center whose offer was locked, the ETP Holder responsible for the locking shall, as specified in the complaint, either promptly (A) send, via the facilities of the Corporation, a commitment to trade to such other market center seeking the offer he or she has equaled or exceeded, which commitment shall be for either the number of shares he or she has bid for or the number of shares offered on the other market center, whichever is less; or (B) "unlock" (i.e., adjust his or her locking bid so as not to cause a locked market). If the complaint specifies "unlock", he or she may nevertheless ship instead. The same

principle shall apply to an ETP Holder who makes an offer for an Eligible Listed Security through the facilities of the Corporation and causes a locked market with another ITS participating market center.

- (2) The provisions of paragraph (d)(1) above shall not apply when:
- (A) the Rules of the Corporation would prohibit the issuance of the commitment to trade to satisfy the locked bid or offer;
 - (B) the ETP Holder who caused a locked market makes every reasonable effort to comply with paragraph (d)(1) above, but is unable to comply because of a system/equipment failure or malfunction;
 - (C) the bid or offer that caused the locked market was not for a “regular way” contract;
 - (D) the locked market occurred at a time when, with respect to the Eligible Listed Security which was the subject of the locked market, ETP Holders on the Corporation or members in the ITS participating market center in which the aggrieved member is located were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1; or
 - (E) the locked bid or offer was for 100 shares, or
 - (F) the locking bid or offer no longer prevails at the time the complaint is received. This exemption is not intended to discourage a locking member from electing to send a commitment if the complaint requests him or her to do so.

Commentary:

.01 The provisions of this Rule shall not apply to (1) purchases and sales effected by ETP Holders participating in the opening (or reopening) transaction in an Eligible Listed Security, or (2) any “block trade” as defined in Rule 7.57.

.02 A Market Maker utilizing an automatic quotation system for quotation changes cannot quote a size greater than one round lot bid and offer.

.03 The fact that a transaction may be cancelled or the price thereof may be adjusted pursuant to the provisions of paragraph (b)(2) of this Rule, shall not have any retroactive effect, under the Rules, on other transactions or the execution of orders not involved in the original transaction. The provisions of this Rule shall supersede the provisions of any other Rule that might be construed as being inconsistent with such provisions.

Block Trade Policy

Rule 7.57(a). *Definitions.*

- (1) A “block trade,” as that term is used in this Rule, means a trade executed through the facilities of the Corporation that:
 - (A) involves 10,000 or more shares of a common stock traded through ITS (an “Eligible Listed Security”) or a quantity of any such security having a market value of \$200,000 or more (“block size”);
 - (B) is effected at a price outside the bid or offer displayed from another ITS participating market center; and
 - (C) involves either:
 - (i) a cross of block size (where the ETP Holder represents all of one side of the transaction and all or a portion of the other side); or
 - (ii) any other transaction of block size (i.e., in which the ETP Holder represents an order of block size on one side of the transaction only) that is not the result of an execution at the current bid or offer on the Corporation.

Contemporaneous transactions at the same price filling an order or orders then or theretofore represented through the facilities of the Corporation by an ETP Holder (including transactions resulting from commitments to trade sent, via the facilities of the Corporation, by the ETP Holder pursuant to paragraph (b) below) shall be deemed to constitute a single transaction for the purpose of this definition.

- (2) A “current bid or offer on the Corporation,” as that term is used in paragraph (a)(1)(c)(ii) above, means the price of the current quotation on the facilities of the Corporation established independently of the order to buy or sell that is represented by the ETP Holder.
- (3) A “bid or offer displayed from another ITS participating market center” (or any derivative phrase), as that term is used in this Rule, means the current quotation from another ITS participating market center displayed through the facilities of the Corporation as required by the ITS Plan, and does not include “away-from-the-market” limit orders or other interests that may be represented in such other ITS participating market center.

(b) *Obligation to Send Commitments.* Unless one or more of the conditions described in paragraph (c) below exist, the ETP Holder representing the block-size order(s) shall at the time of execution of a block trade send, or cause to be sent, via the facilities of the Corporation, through ITS to each other ITS participating market center displaying a bid (offer) superior to the execution price, a commitment to trade at the execution price and for the number of shares displayed with that market center's better-priced bid (offer).

(c) *Inapplicability.* Paragraph (b) above shall not apply under the following conditions:

- (1) the size of the better-priced bid or offer displayed by another ITS participating market center was for 100 shares;
- (2) the ETP Holder representing the block-size order(s) made every reasonable effort to satisfy through ITS a better-priced bid or offer displayed by another ITS participating market center but was unable to because of a systems/equipment failure or malfunction;
- (3) the block trade was not a “regular way” contract;
- (4) the block trade was executed during a period when, with respect to the Eligible Listed Security that was the subject of the block trade, ETP Holders were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1; provided, however, that, unless one of the conditions of this paragraph (c) (other than that of this subparagraph (4)) applies, an ETP Holder shall nevertheless make every reasonable effort during any such period to satisfy through ITS, via the facilities of the Corporation, any better-priced bid or offer displayed through the facilities of the Corporation from another ITS participating market center whose members are not so relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Ac1-1;
- (5) the better-priced bid or offer was being displayed from an ITS participating market center whose members were relieved of their obligations with respect to such bid or offer under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the “unusual market” exception of paragraph (b)(3) of Rule 11Ac1-1; or
- (6) the better-priced bid or offer had caused a “locked market,” as that term is defined in Rule 7.56, in the Eligible Listed Security that was the subject of the block trade.

Commentary:

.01 A transaction not subject to this Rule may be subject to the trade-through provisions of Rule 7.56. An ETP Holder who makes a bid or offer through the facilities of the Corporation otherwise than in connection with a block trade may be subject to the locked market provisions of Rule 7.56.

Rule 7.58. Reserved.

Rule 7.59. Reserved.

Section 6. Contracts in Securities

Definitions and General Provisions

Rule 7.60(a). The following terms used in this Rule shall, unless otherwise indicated, have the meanings herein specified:

- (1) The term “securities depository” shall mean a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934.
- (2) The term “depository eligible securities” shall mean securities that (A) are part of an issue (as identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (B) with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(b) *Municipal Securities.* Notwithstanding the provisions of Rule 7, all contracts in municipal securities must be compared, settled and cleared in accordance with the applicable regulations of the Municipal Securities Rulemaking Board.

Rule 7.61(a). *ETP Contracts.* All contracts in the ordinary course of business of an ETP Holder with any other ETP Holder for the purchase, sale, borrowing, loaning or hypothecating of securities, or for the borrowing, loaning or payment of money, whether occurring through the facilities of the Corporation or elsewhere, are ETP contracts of the Corporation unless made subject to the rules of another exchange.

(b) *Provisions Included in ETP Contracts.* All bids made and accepted, and all offers made and accepted in accordance with the Bylaws, Rules, and procedures of the Corporation shall be binding. The applicable provisions of the Bylaws, Rules, and procedures of the Corporation and all other regulations adopted pursuant thereto, shall be part of the terms and conditions of all ETP contracts and all contracts thereby effected, and shall be subject to said provisions and to the exercise by the Board of Directors of the Corporation of the powers in respect thereto vested in them.

(c) *Extend or Postpone Time, Prescribe Special Terms.* Notwithstanding the foregoing subparagraphs (a) and (b) of this Rule or any other provisions of the Bylaws or Rules of the Corporation to the contrary, the Board of Directors may extend or postpone the time or prescribe special terms and conditions for the performance or settlement of ETP contracts whenever such action is called for by the public interest or by just and equitable principles of trade.

Delivery of Securities

Rule 7.62(a). *Depository Eligibility.*

- (1) Before any issue of securities of a domestic issuer (not including American Depositary Receipts for securities of a foreign issuer) is listed on the Corporation on or after June 1, 1995, the Corporation must have received a representation from the issuer that a CUSIP number identifying the securities has been included in the file of eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 (“securities depository” or securities depositories”), except that this paragraph shall not apply to a security if the terms of the security do not and cannot reasonably be modified to meet the criteria for depository eligibility at all securities depositories.
- (2) A security depository's inclusion of the CUSIP number identifying a security in its file of eligible issues does not render a security “depository eligible” within the meaning of Rule 7.60(a)(2) until:
 - (A) In the case of any new issue distributed by an underwriting syndicate on or after the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available, the commencement of trading in such security on the Corporation; or
 - (B) In the case of any new issue distributed by an underwriting syndicate prior to the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available where the managing underwriter elects not to deposit the securities on the distribution date, such date as is the subject of a notification submitted by the managing underwriter to the securities depository, but in no event more than three months after the commencement of trading in such security on the Corporation.
- (3) The term “depository eligible securities” shall mean securities that (A) are part of an issue (as identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (B) with respect to a

particular transaction, are eligible for book entry transfer at the depository at the time of settlement of the transaction.

(b) *Book Entry Settlement of Transactions.*

- (1) An ETP Holder shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another financial intermediary or a member of a national securities exchange or a registered securities association.
- (2) An ETP Holder shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.
- (3) This Rule shall not apply to transactions that are settled outside of the United States.
- (4) The requirements of this Rule shall supersede any inconsistent requirements under the Bylaws and Rules of the Corporation.
- (5) This Rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and
 - (A) if the transaction is for same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cutoff time established by the depository for same-day crediting of deposited securities; or
 - (B) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

Section 7. Special Offerings

Approval

Rule 7.63(a). The Corporation may, subject to the following conditions and provisions, permit a “Special Offering” as defined hereinafter, to be made through the facilities of the Corporation, provided that the Corporation shall have determined that the regular market on the facilities of the Corporation cannot, within a reasonable time and at a reasonable price or prices, absorb the particular block of stock which is to be the subject of such Special Offering. In making such determination the following factors may be taken into consideration:

- (1) Price range and the volume of transactions in such stock on the facilities of the Corporation during the preceding month;
- (2) Attempts which have been made to dispose of the stock in the regular market on the facilities of the Corporation;
- (3) The existing condition of the Arca Book with respect to such stock;
- (4) The apparent past and current interest in such stock in such regular market on the facilities of the Corporation; and
- (5) The number of shares and the current market value of the block of such stock proposed to be covered by such Special Offering.

Except in special circumstances a “Special Offering” will not be permitted unless the offering involves at least 1,000 shares of stock or shares having an aggregate market value of \$25,000, whichever is greater.

Definition—Price—Special Commission

(b) A Special Offering is defined as an offering (designated as a fixed price offering) by one or more ETP Holders acting for his, her or their own account or for the account of one or more other persons, for the sale of a block of stock dealt in on the Corporation, through the facilities of the Corporation, at a price not in excess of the last sale of such stock or the current offer of such stock, in the regular market on the facilities of the Corporation, whichever is the lower; but not lower than the current bid for such stock in such market, unless otherwise specifically permitted by the Corporation, whereby the offeror may agree to pay a special commission to such ETP Holders as may accept all or any part of such Offering for the account of his, her or their customers.

(c) *Conditions.* Subject to compliance with Regulation M, to the extent applicable, no Special Offering, as provided by this Rule, shall be made unless all of the following conditions are satisfied:

- (1) **Stabilizing.** The person for whose account such Special Offering is to be made shall at the time of such offering be the owner of the entire block of stock so to be offered, except that, for the purpose of stabilizing, there also may be sold for such person's account, or for the account of any ETP Holder offering the block of stock on his or her behalf as part of the Special Offering, an amount not to exceed 10% of the shares owned and originally offered in the Special Offering by such person.
- (2) **All to be Offered within Reasonable Time.** The person for whose account such Special Offering is to be made shall include within the Offering all of the security which he or she then intends to offer within a reasonable time; and there shall be furnished to the Corporation before the

Offering is made a written statement by the offeror to that effect, or a written statement by his or her broker stating that the broker has been so advised by the offeror.

- (3) **“Regular Way” Offering—Minimum Period—Withdrawal.** In the event “a regular way” offering goes into the market below the price of the Special Offering, the Special Offering is thereby automatically suspended as long as such “regular way” offering is present. Unless otherwise specifically exempted by the Corporation, every Special Offering shall remain open for a minimum period of 15 minutes, inclusive of any period during which it is suspended by the entry of a “regular way” offering at a price lower than the Special Offering price. A Special Offering which has not been completed in the fifteen minute minimum period shall not be withdrawn before completion without the approval of the Corporation.
- (4) **Agreement by Offeror.** The person for whose account such Special Offering is made shall agree that during the period such offering is open he or she will not offer in the regular market on the facilities of the Corporation any shares of the stock which is the subject of such Special Offering, unless the prior permission of the Corporation is first obtained.
- (5) **No Special Commission Member, Etc.** No ETP Holder shall directly or indirectly receive any part of the special commission referred to in Section 1(b) in connection with any purchase for his, her or its own account or the account of any participant therein or for the account of any other ETP Holder or any participant therein, made pursuant to a Special Offering, except that an ETP Holder may accept and retain such special commission for his, her or its own account in respect of securities purchased as principal for the bona fide purpose of distribution, even though such firm has been unable to distribute the securities.
- (6) **Acceptable Lesser Amounts.** A Special Offering shall not be made unless it can be accepted in a lesser amount or amounts than the total of the securities offered.
- (7) **Round or Odd Lots.** A Special Offering shall be made for acceptance in round lots or in odd lots, without preference, and in the case of an odd lot purchase, no differential shall be added to the gross purchase price of the Special Offering.
- (8) **Allotments.** The offeror may, at the time of the announcement of a Special Offering, allot on a firm basis to ETP Holders engaged in the distributing business not more than 50% of the securities involved in the offering. When buying orders in a Special Offering exceed the amount of the offering, the remainder of the offered securities will be allocated in reasonably proportionate amounts.

(d) *Effective.* A Special Offering, when approved, shall become effective upon the announcement by the Corporation on the tape of the terms and conditions of such Offering.

(e) *Information on Tape.* The terms of a Special Offering shall be printed on the tape before it is effective, with statement, if such be the fact, that stabilizing transactions have been effected or are contemplated and that it is intended to over allot shares as permitted by Rule 7.63(c)(1). Transactions effected pursuant to a Special Offering shall when feasible be printed currently on the tape, and the tape shall show the gross price and the special commission in a legend such as “SP OFF 100 XYZ 40 COM .50 or 1/2,” as well as the number of orders involved in such transaction where more than one order is involved; and after the close of the market, any unprinted remainder of such transactions executed during the day shall be so printed. When the offering is terminated, an announcement to that effect shall be printed on the tape; and when the intention to stabilize is terminated, such fact shall be announced on the tape together with a statement that stabilizing transactions have been effected, if such be the fact.

(f) *Eligibility.* Transactions effected pursuant to a Special Offering shall not elect the execution of any outstanding “regular way” odd lot orders.

(g) *Authorization.* A Special Offering may be approved and made only if the person or persons for whose account it is proposed to be made shall have specifically authorized such Offering and its terms.

(h)(1) *Confirmations.* An ETP Holder effecting for the account of a customer, a purchase pursuant to a Special Offering, shall confirm such transaction to such customer at the offering price and shall not charge to or collect from such customer any commission on account of such transaction.

The confirmation by an ETP Holder to a buyer or seller in a Special Offering shall state in full the terms and conditions of the Special Offering. The confirmation to a buyer shall state at least:

- (A) That the purchase was part of a Special Offering;
- (B) That no commission is to be charged to the customer;
- (C) That the seller is to pay a special commission to the ETP Holder, if such be the fact;
- (D) The amount of such special commission;
- (E) The information printed on the tape regarding stabilizing transactions or the intention to stabilize; and
- (F) The nature of the ETP Holder interest in the special offering, if any, other than its interest as a recipient of the special commission.

- (2) *Soliciting Orders.* An ETP Holder soliciting purchase orders for execution pursuant to a Special Offering shall advise the person so solicited of the terms and conditions of such Offering before effecting any transaction for such person pursuant thereto. Such disclosure shall include at least the items described in paragraphs (A) to (F) of Rule 7.63(h)(1).
- (3) *More Advantageous Price.* An ETP Holder
 - (A) Holding an open order for the purchase of a stock at a time when a Special Offering with respect to such stock becomes effective, or
 - (B) Receiving an unsolicited order for the purchase of such stock when a Special Offering with respect to said stock is in effect (unless such order specifically directs that it is to be executed pursuant to such Special Offering), or
 - (C) Proposing, pursuant to discretionary authority from a customer, to effect a purchase of stock which is the subject of a Special Offering then in effect,

shall, before executing any such order or effecting any such purchase pursuant to such Special Offering, make a bona fide attempt to execute such order or to effect such purchase in the regular market on the facilities of the Corporation at a price more advantageous to the customer than the gross offering price under the Special Offering.

(i) *Size of Offering.* Rule 7.63(a) places a general limitation on the size of Special Offerings, except in special circumstances. Such an exception might be a Special Offering of a stock designated as an “inactive” stock.

(j) *Preliminary Information Required.* The broker for the offeror will be required to furnish the following information to the Corporation, prior to the announcement of the Special Offering on the tape:

- (1) Name of the security and ticker symbol.
- (2) Number of shares.
- (3) Special Offering price.
- (4) Special Commission.
- (5) Current bid and offer and last sale.
- (6) Name of the offeror.

- (7) Daily price range and volume of transactions on the Corporation, in the security which it is proposed to offer, for a period of one month prior to the date of the proposed offering. In the case of an “inactive” stock, or upon determination by the Corporation, the weekly price range and volume for a one-month period will be accepted in lieu of the daily price range and value.
- (8) Description of efforts to dispose of the security through the facilities of the Corporation.
- (9) Written assurance of the offeror, or the broker upon advice from the offeror, that the shares contained in the Offering are all of the security which he or she then intends to offer within a reasonable time, as required in Rule 7.63(c)(2).
- (10) Assurance of agreement of offeror to terms of Offering.
- (11) Statement as to whether stabilizing operations will be engaged in to facilitate Special Offering.
- (12) Statement as to whether the offeror or his or her agent intends, for the purpose of stabilizing, to sell stock in the Special Offering in excess of that owned and included in the original offer as permitted to Rule 7.63(c)(1).
- (13) Statement that the shares covered by the application do or do not require registration under the Securities Act of 1933, together with explanation thereof.

The foregoing information should be given to the Corporation as soon as possible in advance of the time it is proposed to make the Special Offering. Announcement will not be made on the tape of the Special Offering (and the Special Offering thus cannot become effective) until the Corporation has the requisite information and has approved it.

(k) *Ownership.* The offeror in a Special Offering must be the owner of the entire block of stock offered for sale, except for the purpose of stabilizing as permitted by Rule 7.63(c)(1).

(l) *All or None Offerings.* “Piecemeal” or successive offerings of the same security by the same offeror, and offerings on an “all or none” basis, will not be permitted.

(m) *Other Offers.* It should be noted that under Rule 7.63(c)(4), an offeror may not, while his or her Special Offering is open, offer any shares of the same stock in the regular trading through the facilities without prior permission of the Corporation.

(n) *Orders After Close.* Orders accumulated after the close shall be completed on the facilities of the Corporation at the opening of the next market session.

(o) *Special Offering Transactions.* The handling of the order on either the purchase or the offering side may be entrusted to a Market Maker in the same manner as in the case of regular orders. In connection with a Special Offering, the broker for the buyer is acting in an agency capacity and the agency obligation to buy at the most advantageous price to the customer shall be observed.

(p) *Stabilizing.* The right to sell an amount not to exceed 10 percent of the number of shares owned and originally offered in the Special Offering for the purpose of stabilizing and as part of a Special Offering is subject to the prior approval of the Corporation. Stabilizing operations in connection with Special Offerings must be discussed in advance with the Corporation.

(q) *Odd Lot Stop Orders.* Transactions effected pursuant to Special Offerings shall not elect Stop Orders or open odd lot orders for execution in the regular market.

(r) *Confirmations.* Confirmation need not be on a specially prepared form but must show clearly in type no smaller than 8-point that the purchase was part of a Special Offering; that no commission is to be charged to the customer; that the seller is to pay a special commission to the ETP Holder if such be the fact; the amount of such special commission; the information printed on the tape regarding stabilizing transactions or the intention to stabilize; and the nature of the ETP Holder's interest in the Special Offering, if any, other than its interest as a recipient of the special commission.

Confirmations used by the broker for the seller similarly need not be on a specially prepared form, but must show clearly in type no smaller than 8-point that the sale is part of a Special Offering of ... shares of ... stock at ... per share less ... special commission, and, separately, the selling commission charged by the broker for the seller.

(s) *Reports.* The applicant shall submit to the Corporation at the close of each day a report of all transactions in the offered security affected for the account of any person having an interest, as seller or as agent, offering the block of stock on the seller's behalf, in the Special Offering. Such reports shall cover the period beginning with the date of commencement of the offering or the stabilizing, whichever is earlier, and ending with the date on which the short position has been covered or the Special Offering account has been terminated, whichever is later.

Section 8. Exchange Distributions

Rule 7.64(a). *Definition.* An important feature of an Exchange Distribution is that an ETP Holder may now pay compensation to its registered representatives for soliciting others to purchase through the facilities of the Corporation a security admitted to dealing which is the subject of an approved Exchange Distribution. Or it may on its own behalf or on behalf of a customer make an arrangement to pay a special commission, as mutually agreed, for distributing

the security to one or more ETP Holders, who may in turn give special compensation to their registered representatives for purchases they have solicited in connection with the distribution.

Under an Exchange Distribution, purchase orders may be grouped from time to time, as they are received, and sent to the facilities of the Corporation together with an order to sell an equal amount and “crossed” under the rules of the Corporation.

(b) *Similar to Special Offering.* An Exchange Distribution is somewhat similar to a Special Offering in the following respects:

- (1) An Exchange Distribution may be made only with prior consent of the Corporation;
- (2) Approval will be given only when it is determined that the regular market on the facilities could not, within a reasonable time and at a reasonable price or prices, otherwise absorb the block of securities;
- (3) It may be made either on a principal or an agency basis;
- (4) All transactions will take place on the facilities of the Corporation;
- (5) Only ETP Holders are eligible for participation in the solicitation of purchase orders and in the special commission, if any, paid by the offeror on purchases resulting from such solicitation;
- (6) The person for whose account the distribution is to be made shall, at the time of the distribution, be the owner of the entire block of the security to be so distributed, and shall include within the distribution all of the security which he or she then intends to offer within a reasonable time;
- (7) Each ETP Holder soliciting purchase orders in connection with an Exchange Distribution must advise the person being solicited, before effecting any transaction for such person pursuant thereto, that the securities being offered are part of a specified number of shares being offered in an Exchange Distribution and that he or she is receiving a special commission from the seller or his or her broker, if that is the case.

(c) *Differences from Special Offering.* An Exchange Distribution differs from a Special Offering in that:

- (1) It is effected in the regular market and not at a fixed price;
- (2) The execution does not take place at a fixed time, but various executions may take place from time to time as orders are accumulated;

- (3) The purchasing customer may be charged a commission, except where the soliciting firm owns the security;
- (4) During the period when the distribution is being made, neither the person for whose account the distribution is being made nor the ETP Holders who are parties to the distribution, shall bid for or purchase any of the securities for an account in which the ETP Holder has a direct or indirect interest;
- (5) No ETP Holder who is connected in any way with an Exchange Distribution may, with respect to such distribution, (A) effect stabilizing transactions, (B) effect short sales, (C) make firm allotments, (D) accept over-subscriptions.

(d) *Procedure.* To effect an “Exchange Distribution” of a block of a security admitted to dealing on the Corporation, an ETP Holder for his, her or its own account, or the account of a customer, may

- (1) Make an arrangement with one or more other ETP Holders under which
 - (A) The ETP Holders, with whom the arrangement is made, solicit others to purchase such security;
 - (B) The selling ETP Holder may pay to the ETP Holders, with whom the arrangement is made, a special commission which is mutually agreeable; and
 - (C) The ETP Holders, with whom the arrangement is made, may pay a special commission to their registered representatives; and/or
- (2) Pay a special commission to his, her or its registered representatives for soliciting others to purchase such security.

(e) *Approval Required.* An “Exchange Distribution” may be made only with the prior approval of the Corporation. Such a Distribution shall not be approved unless the Corporation shall have determined that the regular market on the facilities of the Corporation cannot, within a reasonable time and at a reasonable price or prices, otherwise absorb the block of securities which is to be the subject of the “Exchange Distribution.” In making such determination, the following factors may be taken into consideration:

- (1) Price range and the volume of transactions in such security on the facilities of the Corporation during the preceding month;
- (2) Attempts which have been made to dispose of the security on the facilities of the Corporation;
- (3) The existing conditions of the Arca Book with respect to such security;

- (4) The apparent past and current interest in such security on the facilities; and
- (5) The number of shares or bonds and the current market value of the block of such security proposed to be covered by such “Exchange Distribution.”

(f) *Conditions.* No “Exchange Distribution” shall be made unless all of the following conditions are satisfied:

- (1) The person for whose account the Distribution is to be made shall, at the time of the Distribution, be the owner of the entire block of the security to be so distributed;
- (2) The person for whose account the Distribution is to be made shall include within the Distribution all of the security which he or she then intends to offer within a reasonable time; and there shall be furnished to the Corporation, before the Distribution is made, a written statement by the offeror to the effect or a written statement by his or her broker stating that the broker has been so advised by the offeror;
- (3) The person for whose account the Distribution is made shall agree that during the period the Distribution is being made he or she will not bid for or purchase any of the security for any account in which he or she has a direct or indirect interest;
- (4) The ETP Holders who are parties to the arrangement for the Distribution shall not, during the period the Distribution is being made, bid for or purchase any of the security for an account in which they have a direct or indirect interest;
- (5) No ETP Holder shall be granted approval to effect an “Exchange Distribution” of a block of a security for an account in which he or she has a direct or indirect interest if he or she is registered as a Market Maker in such security, unless the Corporation has determined that such Market Maker has been unable, within a reasonable period of time, to dispose of the block of the security in the ordinary course of his or her dealings as a Market Maker. Such approval shall stipulate that the Market Maker may not deal directly with the public but must make an arrangement with one or more other ETP Holders to solicit others to purchase the security, and pay, if any, a special commission to such other ETP Holders as provided under Section (1)(a) of this Rule;
- (6) Each ETP Holder soliciting purchase orders for execution in the Distribution shall advise the person so solicited, before effecting any transaction for such person pursuant thereto, that the securities being

offered are part of a specified number of shares or bonds being offered in an “Exchange Distribution,” and that he or she or it

- (A) is acting for the seller and will receive a special commission from the seller or his or her broker if that is the case, or is acting as a principal; and
 - (B) is charging the buying customer a commission, if any, or is making the sale at a net amount, whichever the case may be.
- (7) No “short” sale may be made in connection with the Distribution except that securities may be borrowed to make delivery where the person owns the securities sold and intends to deliver such securities as soon as possible without undue inconvenience or expense.

The conditions set forth in (2), (3) and (4) above shall not apply

- (A) To transactions effected on the Corporation, for the purpose of maintaining a fair and orderly market, by an ETP Holder in a security in which he or she is registered as a Market Maker and which is the subject of an Exchange Distribution for an account in which he or she has an interest, except that, when such Distribution is in effect, he or she shall not bid for or purchase such stock through the facilities of the Corporation for an account in which he or she has an interest:
 - (i) at a price above the preceding sale, or
 - (ii) at a price above the next preceding different sale price, or
- (B) To transactions effected by an ETP Holder on the Corporation in less than the unit of trading for the purpose of purchasing odd lots offered to him or her in a security in which he or she is registered as a Market Maker and which is the subject of an Exchange Distribution in which he or she has an interest.

The conditions set forth in (3) and (4) above shall not apply to purchases necessitated solely in connection with “crossing” orders pursuant to the Distribution.

(g) *Execution.* In effecting an “Exchange Distribution” the orders for the purchase of the securities being distributed must be sent to the facilities of the Corporation together with an order to sell an equal amount to be “crossed” in accordance with the Rules applicable to the crossing of orders on the facilities, and such transactions shall be printed on the ticker tape.

(h) *Reports.* The ETP Holder selling securities in an “Exchange Distribution” shall report to the Corporation all transactions in such securities effected by him, her or it for any

account in which the seller had a direct or indirect interest, commencing with the time arrangements for the Distribution were made and ending with the time the Distribution was completed.