

EXHIBIT 5 – TEXT OF PROPOSED RULE CHANGE

Proposed new language is underlined; proposed deletions are [bracketed]

**LONG-TERM STOCK EXCHANGE RULE BOOK**

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**Rule 11.420. Reserved. [Order Audit Trail System Requirements**

- (a) Definitions. For purposes of this LTSE Rule 11.420, terms shall have the same meaning as those defined in the LTSE's Certificate of Incorporation, Bylaws and Rules, unless otherwise specified.
- (1) "Bunched Order" shall mean two (2) or more orders that are aggregated prior to execution.
  - (2) "Customer" shall mean a person other than a broker or dealer.
  - (3) "Electronic Communication Network" shall mean any electronic system that widely disseminates to third parties orders entered therein by an exchange market maker or over-the-counter market maker, and permits such orders to be executed in whole or in part, and as further defined in Rule 600 of SEC Regulation NMS.
  - (4) "Electronic Order" shall mean an order captured by a Member in an electronic order-routing or execution system.
  - (5) "Index Arbitrage Trade" shall have the same meaning as the term "Index Arbitrage" in New York Stock Exchange Rule 7410.
  - (6) "Manual Order" shall mean an order that is captured by a Member other than in an electronic order-routing or execution system.
  - (7) "NMS stock" shall have the same meaning as contained in Rule 600 of SEC Regulation NMS.
  - (8) "Order" shall mean any oral, written, or electronic instruction to effect a transaction in an equity security traded by LTSE that is received by a Member

from another person for handling or execution, or that is originated by a department of a Member for execution by the same or another Member, other than any such instruction to effect (1) a proprietary transaction originated by a trading desk in the ordinary course of a Member's market making activities in an LTSE traded equity security, or (2) effect a Bona Fide Hedge Transaction involving an LTSE traded equity security originated by a trading desk in the ordinary course of the Member's options market making activities.

- (9) "Order Audit Trail System" shall mean the automated system owned and operated by FINRA that is designed to capture order information in equity securities traded by LTSE and reported by Members for integration with trade and quotation information to provide FINRA with an accurate time sequenced record of orders and transactions.
- (10) "Program Trade" shall have the same meaning as the term "Program Trading" in New York Stock Exchange Rule 7410.
- (11) "Proprietary Trading Firm" shall mean an LTSE Member that trades its own capital and that does not have "customers," as that term is defined in LTSE Rule 11.420(a)(2), and that is not a FINRA Member. The funds used by a Proprietary Trading firm must be exclusively firm funds and all trading must be in the firm's accounts. Traders must be owners of, employees of, or contractors to the firm.
- (12) "Reporting Agent" shall mean a third party that enters into any agreement with a Member pursuant to which the Reporting Agent agrees to fulfill such Member's obligations under LTSE Rule 11.420(e).
- (13) "Reporting Member" shall mean a Member that receives or originates an order and has an obligation to record and report information under LTSE Rules 11.420(d) and 11.420(e).
  - (A) A Member shall not be considered a Reporting Member in connection with an order, if the following conditions are met:
    - (i) the Member engages in a non-discretionary order routing process, pursuant to which it immediately routes, by electronic or other means, all of its orders to:

- a. a single receiving Reporting Member; or
  - b. two receiving Reporting Members, provided:
    - 1. orders are routed by the Member to each receiving Reporting Member on a pre-determined schedule approved by FINRA; and
    - 2. orders are routed to two receiving Reporting Members pursuant to the schedule for a time period not to exceed one year; and
  - (ii) the Member does not direct and does not maintain control over subsequent routing or execution by the receiving Reporting Member(s);
  - (iii) the receiving Reporting Member(s) record(s) and report(s) all information required under LTSE Rules 11.420(d) and 11.420(e) with respect to the order; and
  - (iv) the Member has a written agreement with the receiving Reporting Member(s) specifying the respective functions and responsibilities of each party to effect full compliance with the requirements of LTSE Rules 11.420(d) and 11.420(e).
- (b) Applicability.
- (1) Unless otherwise indicated, the requirements of this LTSE Rule 11.420 are in addition to the requirements contained elsewhere in the LTSE Rules.
  - (2) Unless otherwise indicated, the requirements of this LTSE Rule 11.420 shall apply to all LTSE Members and to their associated persons.
  - (3) Unless otherwise indicated, the requirements of this LTSE Rule 11.420 shall apply to all executed or unexecuted orders for equity securities traded by LTSE.
- (c) Synchronization of Member Business Clocks.
- (1) LTSE Members shall comply with FINRA Rule 4590 as if such rule were part of the LTSE rules.

- (2) For purposes of this LTSE Rule 11.420, references to "the FINRA By-Laws or other FINRA rules" shall be construed as references to "the LTSE Rules."
- (d) Recording of Order Information
- (1) LTSE Members and persons associated with a Member shall comply with FINRA Rule 7440 as if such rule were part of LTSE's Rules. LTSE and FINRA are parties to the Regulatory Contract pursuant to which FINRA has agreed to perform certain functions on behalf of LTSE. Therefore, LTSE Members are complying with this LTSE Rule 11.420(d) by complying with FINRA Rule 7440 as written, including, for example, filing requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under LTSE Rule 11.420(d) are being performed by FINRA on behalf of LTSE.
  - (2) For purposes of this LTSE Rule:
    - (A) references to FINRA Rules 7420 through 7460 shall be construed as references to LTSE Rules 11.420(b) through (e);
    - (B) references to FINRA Rules 5320, 7440, and 7450 shall be construed as references to LTSE Rules 10.160, 11.420(d), and 11.420(e), respectively.
  - (3) LTSE Members shall assign and enter a unique order identifier, in the form prescribed by LTSE, to all orders that are electronically transmitted to the Exchange. An order identifier shall not be required for orders that are manually transmitted.
- (e) Order Data Transmission Requirements.
- (1) Except as provided in paragraph (b), LTSE Members and persons associated with a Member shall comply with FINRA Rule 7450 as if such rule were part of LTSE's Rules. LTSE and FINRA are parties to the Regulatory Contract pursuant to which FINRA has agreed to perform certain functions on behalf of LTSE. Therefore, LTSE Members are complying with this LTSE Rule 11.420(e) by complying with FINRA Rule 7450 as written, including, for example, filing requirements and notifications. In addition, functions performed by FINRA, FINRA departments, and FINRA staff under LTSE Rule 11.420(e) are being performed by FINRA on behalf of LTSE.

- (2) Proprietary Trading Firms shall be required to comply with FINRA Rule 7450 as if such rule were part of LTSE's Rules, only when they receive a request from LTSE Regulation to submit order information with respect to specific time periods identified in such request. Nothing in this LTSE Rule shall be construed to limit the obligations of Proprietary Trading Firms under any other FINRA Rule of the 7400A Series, including but not limited to, LTSE Rule 11.420(d).
  - (3) For purposes of this LTSE Rule, references to FINRA Rule 7440 shall be construed as references to LTSE Rule 11.420(d).
- (f) Violation of Order Audit Trail System Rules.
- (1) Failure of a Member or person associated with a Member to comply with any of the requirements of LTSE Rule 11.420(a) through LTSE Rule 11.420(e) may be considered conduct that is inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of LTSE Rule 3.110.
- (g) FINRA 7470 Exemption to the Order Recording and Data Transmission Requirements.
- (1) Pursuant to the LTSE Rule Series 9.600, LTSE, for good cause shown after taking into consideration all relevant factors, may exempt subject to specified terms and conditions, a Member from the recording and order data transmission requirements of LTSE Rules 11.420(d) and 11.420(e), respectively, for manual orders, if such exemption is consistent with the protection of investors and the public interest, and the Member meets the following criteria:
    - (A) the Member and current control affiliates and associated persons of the Member have not been subject within the last five years to any final disciplinary action, and within the last ten years to any disciplinary action involving fraud;
    - (B) the Member has annual revenues of less than \$2,000,000.00 (two million dollars);
    - (C) the Member does not conduct any market making activities in LTSE-traded equity securities;
    - (D) the Member does not execute principal transactions with its customers

(with limited exception for principal transactions executed pursuant to error corrections); and

- (E) the Member does not conduct clearing or carrying activities for other firms.
- (2) An exemption provided pursuant to this LTSE Rule shall not exceed a period of two years. At or prior to the expiration of a grant of exemptive relief under this LTSE Rule 11.420, a Member meeting the criteria set forth in paragraph (a) above may request, pursuant to the LTSE Rule Series 9.600, a subsequent exemption, which will be considered at the time of the request consistent with the protection of investors and the public interest.]

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