

Deletions in [brackets]
 Additions underscored

Rule 103B

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[Specialist Stock Allocation] Allocation of Securities to Specialists

[Rule 103B]

Securities listing on the Exchange will be allocated to specialist [units] firms according to such policies and procedures as are established and made known to the membership from time to time. These policies and procedures are stated below.

Allocation Policy and Procedures

I. PURPOSE

[The current allocation process was established in 1976. The Quality of Markets Committee of the NYSE Board of Directors has periodically appointed special Allocation System Review Committees (ARCs) to conduct comprehensive reviews of the allocation process. The objective of each review was to preserve the integrity of the original system and build upon its strengths, in order to ensure that the allocation process] From time to time, the Exchange reviews its Allocation Policy and Procedures to ensure that it:

- (1) is based on fairness and consistency;
- (2) maximizes the professionalism, expertise and objectivity of Allocation [c]Committee members;
- (3) minimizes potential conflicts of interest;
- (4) rewards performance and provides an incentive for performance improvement;
- (5) spreads reward and risk throughout the specialist system, in order to contribute to its strength and continued viability;
- (6) provides the best possible match between specialist [unit] firm and [stock] security, and provides an opportunity for input from the listing company for that purpose;
- (7) provides for education of all participants in the allocation process; and
- (8) ensures the strength and autonomy of the Allocation Committee in applying the policy.

Because specialists can expand their business only by increasing the number of their specialty [stocks] securities, allocation criteria and procedures and the performance evaluations on which they rely focus critical attention on customer service and ongoing improvement in the level of specialists' performance. The result is higher quality markets, benefiting the investing public, listed companies and member organizations.

This document presents the policy of the Exchange with respect to the allocation of [equity] securities [: (1)] when: (1) a [common stock] security is to be initially listed on the Exchange; (2) [when] a security is to be reallocated as a result of disciplinary or other proceedings under Exchange Rules 103A, 475 and 476; [or] (3) [when] a specialist [unit] firm voluntarily surrenders its registration in a security as a result of possible disciplinary or performance improvement action[.]; [and the allocation of] (4) a specialist firm is changed pursuant to Section 806.01 of the Exchange's Listed Company Manual; or (5) an Exchange-Traded Fund[s] is to be admitted to trading on the Exchange on an unlisted trading privileges basis (see Section [VIII] IX). [The purpose of the allocation system is: (1) to ensure that securities are allocated in an equitable and fair manner and that all specialist units have a fair opportunity for allocations based on established criteria and procedures; (2) to provide an incentive for ongoing enhancement of performance by specialist units; (3) to provide the best possible match between specialist unit and security and (4) to contribute to the strength of the specialist system. Admitted to Trading on the Exchange on an Unlisted Trading Privileges Basis.]

II. ALLOCATION COMMITTEE

A. Responsibility

The Allocation Committee has sole responsibility for the allocation of securities to specialist [units] firms under this policy pursuant to authority delegated by the Board of Directors, and is overseen by the [Quality of Markets Committee of the Board ("QOMC")] Regulatory Oversight and Nominating and Governance Committees. The Allocation Committee renders decisions based on the allocation criteria specified in this policy (see Section[IV] V[.]). Allocation decisions are published for Exchange Floor members and are communicated to listing companies by Exchange staff. [The Allocation Committee gives periodic reports to the QOMC.]

B. Composition

The nine-member Allocation Committee is chosen from an Allocation Panel (see Section III), which includes Floor brokers, allied members, representatives of institutional investor organizations, Floor Governors, Senior Floor Officials and Executive Floor Officials. The composition of the Allocation Committee is intended to maximize expertise and objectivity in the allocation process.

To this end, the Allocation [c]Committee is comprised of [6] four Floor brokers, one of whom must be a Floor Governor, Executive Floor Official or Senior Floor Official, one allied member, one representative of an institutional investor organization, and two others from among the allied members and representatives of institutional investor organizations on the Allocation Panel. The ninth member of the Allocation Committee will alternate each Allocation Committee term

between an allied member or representative of an institutional investor organization and a Floor broker. [including 3 broker Governors (1 of whom may be an independent/two dollar broker), 3 other Floor brokers from the Allocation Panel (1 of whom must be an independent/two dollar broker); 2 allied members from the Market Performance Committee or the panel; and 1 representative of an institutional investor organization from the Market Performance Committee or the panel. Commission] Floor brokers contribute their experience in conducting business with specialists, as well as broad-based knowledge of [units] firms on the Floor. [Therefore, they have the largest representation on the committee.] Allied members and representatives of institutional investor organizations [often] provide a perspective on the trading characteristics of new listings and experience as an off-Floor customer of the specialists. Including Floor Governors, Executive Floor Officials or Senior Floor Officials on the Allocation [c]Committee adds comprehensive knowledge of specialist performance as well as a broad perspective and expertise relating to the Exchange.

[The 9-member committee is chosen from an Allocation Panel (See Section III), which includes Floor brokers, allied members, representatives of institutional investor organizations, Governors, Senior Floor Officials and Executive Floor Officials.] Selection of Allocation [c]Committee members within the appropriate member categories is random as to individuals, [, but an effort is made to appoint individuals who have not yet served on the committee before reappointing past committee members.] The Exchange also tries to provide a balanced Floor geographical mix. Efforts are also made to include no more than one broker or allied member whose firm is affiliated with a specialist [unit] firm.

C. Term of [s] Service

Allocation Committee members serve [4] a two-month term[s, and every two months four or five members are rotated, thereby fostering continuity and objectivity in the decision-making process]. Each new standing Allocation Committee will be selected at least one month prior to the start of its term and will elect a chairperson at that time.

An Allocation [c] Committee member whose term has expired is ineligible for [consecutive] reappointment [, but after two months is eligible for further service if again randomly selected] until all Allocation Panel members in that category have served at least one term.

D. Quorum [r] Requirement

A full Allocation Committee affords optimal participation, and every effort is made to have [9] nine members for each allocation decision. Whenever standing Allocation [c]Committee members are unable to serve for a particular meeting or must abstain from deliberations regarding particular [stocks] securities, randomly selected Allocation P[p]anel members may substitute to complete a [9] nine-member Allocation [c]Committee. A quorum requirement is established so that allocation decisions can otherwise be made, provided there are [7] seven members of the standing Allocation Committee capable of deliberating on the allocation of a particular security [including 6 Floor brokers, at least two of whom are Governors, and 1 allied member. The presence of the representative of the institutional investor organization is not required for a quorum. In the event that any of the broker Governors on the standing Allocation

[c]Committee are not able to attend an Allocation Committee meeting, or are unable to participate in the allocation of a particular stock, the Exchange first seeks to substitute for such Governor(s) with another broker Governor on the panel. If no such Governor is available, a Senior Floor Official or Executive Floor Official broker on the panel who is not currently a standing member of the Allocation Committee may serve as a substitute for a Governor for the purpose of meeting the Governor quorum requirement. If no Senior Floor Official or Executive Floor Official broker on the panel is available, any Senior Floor Official or Executive Floor Official broker on the standing Allocation [c]Committee may substitute for the absent Governor(s) for the purpose of meeting the Governor quorum requirement. The Exchange seeks as a substitute a Senior Floor Official or Executive Floor Official who is not currently a standing member of the Allocation Committee in order to maximize the level of seniority of the standing Allocation [c]Committee. In the event no current Floor broker, or allied panel member is available, a former Allocation Committee chairman may substitute, but may not substitute for a Governor for the purpose of meeting the Governor quorum requirement, unless such former Allocation Committee chairman is a Senior Floor Official or Executive Floor Official on the panel. A former chairman brings unique experience and expertise to the process].

E. [Chairman] Chairperson

The Allocation Committee [chairman] chairperson is [s]elected by the members of the standing Committee from among the [Floor brokers] Allocation Committee members of the dominant group that term. A former chairperson may not be reappointed until all Allocation Panel members of the same category have served a term as chairperson. [on the standing committee whose firms conduct business with the public, as well as Governors. (Governors and brokers whose firms are affiliated with a specialist unit firm are ineligible to serve as chairman.) All candidates for chairman must have experience on the Allocation Committee to qualify. The chairman is elected by current Allocation Committee members, including outgoing members, and members of the committee who will be serving at the time of the chairman's appointment.]

While allocation decisions are made by the Allocation [c]Committee as a whole, the [chairman's] chairperson's role calls for leadership in conducting meetings in accordance with policy and procedure, emphasizing the importance of preserving the integrity of the allocation process, the Allocation [c]Committee's responsibility to serve the best interests of the public and the Exchange, and the need to suspend individual interest and avoid possible conflicts of interest.

[In order to foster a complete understanding of and ensure consistency of the allocation process, each new chairman is elected two months prior to the commencement of his or her term as chairman. The eligible members will thus include the brokers with 4 months remaining in their committee terms, plus the brokers selected for rotation onto the committee two months hence. The chairman will serve until the end of his or her committee term (i.e., two to six months).]

[If elected prior to the commencement of his or her committee term the chairman-elect will attend meetings as an observer and discuss the allocations with the current chairman. If already serving on the committee, the chairman-elect will likewise discuss the meetings with the current chairman.] Prior to the commencement of each standing Allocation Committee's term, the chairperson-elect will attend meetings as an observer and discuss the allocations with the current

chairperson. [Orientation of e]Each new [chairman] chairperson-elect will also [be] receive an orientation provided by former Allocation Committee chairpersons [chairmen of the Allocation Committee and by the Quality of Markets Committee]. A standardized agenda for education of new chairpersons will be made available.

F. Committee [m] Member [a] Abstentions

In making allocation decisions pursuant to this policy, it is the responsibility of each Allocation Committee member to adhere strictly to the approved allocation criteria. A [c]Committee member who feels he or she cannot abide by the criteria due to potential conflict of interest (e.g., allocation involving a relative, a financial interest, relief specialists, etc.) should disqualify himself or herself from the deliberations.

If an Allocation Committee member has an investment banking relationship (defined as manager or co-manager of an underwriting group) or is in an advisory fee relationship with [an about-to-be listed] a listing company, that Allocation [c]Committee member must abstain from allocation deliberations with respect to that particular [stock] security. A broker or allied member whose firm is affiliated with a specialist [unit] firm must abstain from deliberations regarding the allocation of a [stock] security for which that [unit] firm has applied.

G. [Committee disclosure] Non-disclosure of Committee Members Identity

The names of the standing [c]Committee members will be kept confidential. Allocation Committee [books] materials will not be delivered to [c]Committee members on the trading Floor. [Committee members will pick up their books at the Committee Support Services area.]

H. Contact with Allocation Committee [information] Prohibited

[Allocation policy provides t] The allocation application [form] and related written correspondence [as] are the means by which interested parties transmit to the Allocation Committee information pertinent to allocations. Exchange members and investment bankers may not initiate contact with Allocation Committee members pertaining to an upcoming allocation. Allocation Committee members will enforce this prohibition. Allocation decisions are made by the [c]Committee as a whole, based on the published allocation criteria. Under all circumstances the confidentiality of the Allocation Committee's deliberations is paramount.

I. Observation of Allocation Committee Meetings

All incoming Allocation [c]Committee members are expected to observe as many Allocation [c]Committee meetings as possible prior to the commencement of their Allocation [c]Committee terms.

III. ALLOCATION PANEL

A. Composition

The composition of the Allocation Panel reflects the Allocation [c]Committee structure and includes [28] 20 Floor brokers, [15] 20 allied members (including the [7] allied members serving on the Market Performance Committee), [11] 20 representatives of institutional investor organizations (including the [7] representatives of institutional investor organizations serving on the Market Performance Committee), the [10] ten Floor broker Governors who are part of the Allocation P [p]anel by virtue of their appointment as Floor Governors, and a minimum of [5] five Floor brokers who are either Senior Floor Officials or Executive Floor Officials. [brokers that have been appointed to the panel.]

B. Selection

Allocation Panel members are nominated by the membership and appointed by the Exchange's Board of Directors. A selection committee, appointed by the Board of Executives ("BoE") Floor Representatives, reviews the nominations and recommends panel appointments to the BoE Floor Representatives, who finalize recommendations for presentation to the [QOMC] Regulatory Oversight and Nominating and Governance Committees. The selection committee operates in accordance with such guidelines as are established and made known to the membership from time to time. The selection committee and, in turn, the BoE Floor Representatives seek to develop a representative panel that maximizes professional expertise and broad exposure on the Floor by including members from various types of firms and from diverse locations on the Floor. To the maximum extent possible, the Floor members on the panel are expected to be a core group of experienced, senior professionals, such as former Allocation Committee [chairmen] chairpersons, Senior Floor Officials, Executive Floor Officials, and current and former Floor Governors.

In the case of allied members and representatives of institutional investor organizations, the [allied] member organization and the institutional investor organization are appointed to the panel. The individual representative is then selected by the organization. A BoE Floor Representative gives guidance to the organization in selecting an appropriate representative. Where an insufficient number of nominations of member organizations or institutional investor organizations are received from the membership, Exchange senior management recommends organizations to the Regulatory Oversight and Nominating and Governance Committees for appointment.

C. Eligibility

Professional expertise and experience are essential to the excellence of the allocation system. Therefore, a Floor member must have a minimum of [5] five years experience as a member on the Floor in order to be eligible for appointment to the Allocation Panel. In the case of allied members and representatives of institutional investor organizations, the organization shall select a representative with at least [5] five years of trading experience in listed [equities] securities and

a senior position on the trading desk, and each may designate one alternate who meets the Allocation Panel qualifications, subject to approval by the BoE Floor Representatives.

D. Term of [s] Service

Allocation Panel members are appointed to serve a one-year term. They may serve a maximum of [6] six consecutive one-year terms. Once a panel member has served a total of two [4] two-month Allocation [c]Committee terms, the member is rotated off the panel at the next annual meeting of the Exchange. [The panel members serve staggered terms so that every 2 months 4 or 5 members rotate from the committee.] Once rotated off the Allocation Panel after having served a total of two two-month Allocation Committee terms, the Allocation Panel member is ineligible for appointment to the [p] Allocation Panel for one year. Floor Governors are not subject to the two-term Allocation [c]Committee [term] restriction, but remain on the panel for as long as they are Governors. Senior Floor Officials and Executive Floor Officials are subject to annual reappointment, but are not subject to the two-term Allocation [c]Committee [term] restriction and are not limited to a maximum of six consecutive one-year terms.

IV. SOLICITATION OF ALLOCATION APPLICATIONS

A. Distribution of Security Data Sheet. Specialist firms are permitted to apply for an allocation when the security data sheet ("green sheet"), which contains information about the listing company, is distributed by the Exchange. The security data sheet indicates the date and time by which allocation applications for the listing company must be submitted.

B. Quiet Period. Specialist firms and any individual acting on their behalf may not have any contact with a listing company from the time that the security data sheet soliciting allocation applications is distributed to the specialist firms until after the listing company's allocation decision is made public by the Exchange, except as provided below, in connection with the listing company's interviews with specialist firms.

[I]V. ALLOCATION CRITERIA

Allocation decisions under this policy are based on the professional judgment of the Allocation Committee in applying specified criteria.

In order to ensure that a single criterion is not afforded too great a weight in any allocation decision, and in order to ensure consistency in the allocation process, the Allocation Committee will base its decisions on the following:

- (i) [results of the Specialist Performance Evaluation Questionnaire ("SPEQ") (to be given 25% weight);
- (ii) objective performance measures; and

[(iii)] (ii) the Allocation [c]Committee's expert professional judgment in considering the [SPEQ,] objective measures of performance[,] and other criteria as enumerated below.

Set forth below [s] are the allocation criteria [,] followed by an explanation of each:

- [- SPEQ]
- Objective performance measures
- Other objective performance data
- Professional judgment
- Listing company input
- Allocations received
- Capital deficiency[, disciplinary actions, justifiable complaints]
- Disciplinary data, including admonition letters and summary fines
- Foreign listing considerations
- Subjective input from Floor brokers and off-Floor customers with direct knowledge of the performance of specialist firms and individual specialists

[Specialist Performance Evaluation Questionnaire

The SPEQ includes several facets. Professional judgment determines the relative weight of the various aspects listed below:

- (a) ratings in the current quarter, particularly relative to other applicants;
- (b) improved ratings;
- (c) ratings over time (e.g., 4 quarters), to consider possible aberrations in ratings;
- (d) the strengths of the individual specialist designated by the unit firm to handle the stock, relative to the strengths of the specialists designated by other applicants, as indicated by SPEQ comments that frequently refer to performance of individuals;

- (e) ratings and written comments on specific specialist functions in relation to particular characteristics of the new listing; and
- (f) written SPEQ comments as to the performance of the entire unit.]

A. Objective [m] Measures of [p] Performance

(i) Objective measures of performance evaluate market quality by comparing specialist market-making with pre-determined standards of performance based on Exchange trading data. The objective measures of performance are:

(a) Market Depth

Market Depth (Depth) measures the difference between the highest price and the lowest price in a sequence of transactions in eligible securities totaling not more than 3,000, 5,000, 10,000 or 25,000 shares.

(b) Price Continuity

Price Continuity (Continuity) measures the absolute value of the price change, if any, from one trade to the next in an eligible security.

(c) Timeliness of SuperDOT[®] turnaround

Timeliness of SuperDot[®] (“DOT”) turnaround measures the percentage of total post-opening market orders that are either executed or “stopped” within 30 seconds of the time they are received by the specialist.

(ii) With respect to Depth and Continuity, each day the specialist's market-making in each eligible security will receive a score. A summary of the monthly and quarterly scores for all eligible securities of each specialist firm will be provided to the Allocation Committee. The Allocation Committee will also be provided market activity scores for for each of the maximum of twenty most active securities handled by the individual specialist proposed by the firm to trade a security being allocated. For eligible securities, the Allocation Committee will also be provided the average performance scores for the most active securities handled by the individual specialist proposed by the firm to trade a security being allocated.

(iii) For the purposes of measuring Depth and Continuity in accordance with this policy, eligible securities are all Exchange-listed domestic common stocks. An eligible security will be evaluated on any day when any of the following conditions exist:

(a) the security's Exchange average trading price is between \$1 and \$200;

(b) the security's Exchange non-block volume (trades under 25,000 shares) is at least 100 shares; or

(c) the security had at least five depth sequences on the Exchange (for Depth only) or at least five Exchange transactions (for Continuity only);

(d) An individual security's overall quarterly Depth and Continuity score will be calculated only if it had daily scores on more than 31 days in the quarter.

(iv) Allocation Eligibility

(a) Market Depth

(I) If a specialist firm receives an overall Depth score that is below 1.90 and more than one standard deviation below the average Depth score for all specialist firms in any month, the Allocation Committee will receive an “advisory” that the firm has been notified that it needs to take corrective steps to improve its performance in the applicable area.

(II) If a specialist firm receives an overall Depth score that is below 1.90 and more than one standard deviation below the average Depth score for all specialist firms for two consecutive months, the specialist firm shall not be eligible to apply for or receive allocations for the month following the second consecutive month.

(III) If a specialist firm receives an overall Depth score that is below 1.90 and more than one standard deviation below the average Depth score for all specialist firms for (a) three consecutive months or (b) three out of six consecutive months, the specialist firm shall not be eligible to apply for or receive allocations for the two months following the third monthly occurrence.

(IV) No specialist may be his or her firm’s proposed specialist for allocations for a period of two months if the securities that the specialist handled most frequently during a month received overall monthly Depth scores below 0.50 for (a) three consecutive months or (b) three out of five consecutive months.

(b) Price Continuity

(I) If a specialist firm receives an overall Continuity score that is below 1.90 and more than one standard deviation below the average Continuity score for all specialist firms in any month, the Allocation Committee will receive an “advisory” that the firm has been notified that it needs to take corrective steps to improve its performance in the applicable area.

(II) If a specialist firm receives an overall Continuity score that is below 1.90 and more than one standard deviation below the average Continuity score for all specialist firms for two consecutive months, the specialist firm shall not be eligible to apply for or receive allocations for the month following the second consecutive month.

(III) If a specialist firm receives an overall Continuity score that is below 1.90 and more than one standard deviation below the average Continuity score for all specialist firms for (a) three consecutive months or (b) three out of six consecutive months, the specialist firm shall not be eligible to apply for or receive allocations for the two months following the third monthly occurrence.

(IV) No specialist may be his or her firm’s proposed specialist for allocations for a period of two months if the securities that the specialist handled most frequently during a month received overall monthly Continuity scores below 0.50 for (a) three consecutive months or (b) three out of five consecutive months.

(c) Timeliness of SuperDot[®] turnaround

(I) If a specialist firm's overall 30-second turnaround percentage is below 90% for any month, the specialist firm shall not be eligible to apply for or receive allocations for the next month.

(II) If a specialist firm has two panels at the same post with 30-second turnaround percentages below 75% for any month, the specialist firm shall not be eligible to apply for or receive allocations for the next month.

(III) If a specialist firm has a 30-second turnaround percentage at any panel that is below 75% for any month, the individual specialist who handled the trading of the securities in such panel most frequently during the month shall not be eligible to be his or her firm's proposed specialist for any allocations for the next month.

B. [The] Other [o] Objective [p] Performance [measures] Data [include]

[The objective performance measures include TTV, stabilization, capital utilization, near neighbor analysis and such other measures as may be adopted. Objective measures in Rule 103A include:]

- (i) TTV ("twice total volume"): TTV represents the total number of shares bought and sold by the specialist as a dealer, expressed as a percentage of all shares bought and sold. As the specialist cannot be both buyer and seller for the dealer account on the same transaction, the highest TTV percentage the specialist is able to achieve is 50%;
- (ii) Dealer stabilization rate: represents the total number of shares bought by the specialist as dealer in a stabilizing manner, as a percentage of the specialist's total purchases and sales;
- (iii) Specialist capital utilization: represents the degree to which the specialist firm uses its capital for value-added dealer participation. Capital utilization is expressed as the dollar value of shares bought and sold by the specialist in a stabilizing manner as a percentage of the dollar value of the reported volume. This percentage is calculated both for stabilizing trades and stabilizing plus reliquifying trades. A reliquifying transaction is one in which the specialist reduces a position in a specialty security by selling part of a long position or purchasing to cover part of a short position in a stabilizing manner;
- (iv) Near neighbor analysis: represents market quality and specialist performance in certain securities (e.g. domestic common stocks that satisfy minimum price and volume characteristics) by comparing a security's market quality statistics during a rolling three-month period with those of securities with similar market characteristics, rather than by comparing the performance of securities within standard industry groupings;

- (v) Such other measures as may be adopted;
- (vi) Performance improvement criteria in Exchange Rule 103A:
 - (a) timeliness of regular openings (measures how soon after the Exchange regular opening time the specialist effected the opening trade or the first quotation in each of their specialty securities);
 - (b) promptness in seeking Floor official approval of a non-regulatory delayed opening;
 - (c) timeliness of SuperDot[®] [DOT] turnaround; and
 - (d) response to administrative messages[.] (measures the percentage of administrative messages (e.g. report status, confirm price, confirm cancel), that are received by the specialist and responded to in ten minutes or less.

[The objective measures are reported to the Allocation Committee as a "pass" or "fail" as specified in Rule 103A.

Specialist dealer performance is measured in terms of participation (TTV); stabilization; capital utilization, which is the degree to which the specialist unit uses its own capital in relation to the total dollar value of trading in the unit's stocks; and near neighbor analysis, which is a measure of specialist performance and market quality comparing performance in a stock to performance of stocks that have similar market characteristics. The Allocation Committee receives the most recent data available and historical data with respect to each applicant's performance in relation to other units evaluated during the same time period.]

The Allocation Committee is informed if an applicant has been subject to a performance improvement action in the most recent four quarters.

Although [stocks] securities are allocated to [units] firms, [as noted above,] the Allocation [c]Committee [may] give consideration to the person who will serve as the specialist. Therefore, it is important that the application accurately represent the [unit's] firm's plans as to the individual who will handle the [stock] security.

C. Professional [j] Judgment

The expert, professional judgment of the members of the Allocation Committee is crucial to the allocation decision-making process. Decisions are based on professional judgment, rather than mathematical calculation. Each Allocation [c]Committee member evaluates the data and determines how the specified criteria should be applied in each allocation[,] based on his or her

expertise and experience from the viewpoint of his or her role in the Exchange community. In addition to [the SPEQ and] the objective performance measures and other performance data described above, the Allocation [c]Committee also considers listing company input, allocations received, capital deficiency information and disciplinary [and cautionary] data, including admonition letters and summary fines, as detailed below.

D. Listing [C] company [I] input

Listing on the New York Stock Exchange is a significant development for a company, and the assignment of a specialist through the allocation process is an important step. The Exchange's Allocation Policy is intended to provide listing companies with a choice of alternatives as to how their specialist [unit] firm may be selected. The listing company may choose to have its specialist [unit] firm selected by the Allocation Committee, in accordance with the criteria specified in the Allocation Policy[,] and the exercise of the Allocation Committee's expert professional judgment (Option 1). Alternatively, the listing company may choose to become more directly involved in the selection process. In that case, the company may request that the Allocation Committee select a group of specialist [units] firms that would be appropriate to trade the company's [stock] security, with the company then making the final selection from among the group of [units] firms [as] chosen by the Allocation Committee (Option 2). Such [a] group shall consist of [three,] four[, or five units] specialist firms, selected by the Allocation Committee as demonstrably deemed to be the most qualified to receive such allocation from among the [units] firms that apply, based upon the criteria set forth in this policy, and shall include or exclude [units] firms as set forth in this policy. [If three units are selected, the Allocation Committee may select an alternate to be among the group of units that a company may interview in the event a unit is eliminated. A unit chosen as an alternate will be informed of its status as such.] These procedures shall apply to the allocation of a newly-listing company, as well as the reallocation of an already listed company.

(i) Specialist [Unit] Firm Selected by Allocation Committee (Option 1). If the listing company so chooses, the Allocation Committee shall select the specialist [unit] firm to be allocated the company's [stock] security based on the Allocation Committee's expert assessment of the type of specialist [unit] firm that would be most appropriate for the company[,] and the Allocation Committee's professional evaluation of performance data and other relevant information as specified in the Allocation Policy. The listing company may submit a letter to the Allocation Committee which [focuses on describing] describes the characteristics of the listing company (e.g., history of and background about the company and its industry; how the company historically has funded its operations; characteristics of its shareholder base and any unusual trading patterns that may result therefrom; and any public information regarding the company's plans for the future) which it believes would be appropriate for the Allocation Committee and the [unit] firm that would be selected to trade its [stock] security to know. The letter may also include the company's views on being traded by [units] firms which are experienced in trading companies in its industry or country. The listing company may not, however, identify any particular specialist [unit] firm in its letter, or specify characteristics of a specialist [unit] firm so unique as to be applicable only to a readily identifiable specialist [unit] firm.

(ii) Specialist [Unit] Firm Selected by Listing Company (Option 2). If the listing company so chooses, it may request that the Allocation Committee select a group of specialist [units] firms that would be appropriate to trade the company's [stock] security, with the company then making the final selection from the group. If the listing company chooses this alternative, the company may either make no communication to the Allocation Committee, or it may submit a letter to the Allocation Committee which [focuses on describing] describes the characteristics of the listing company (e.g., history of and background about the company and its industry; how the company historically has funded its operations; characteristics of its shareholder base and any unusual trading patterns that may result therefrom; and any public information regarding the company's plans for the future) which the company believes would be appropriate for the Allocation Committee and the [units] firms to be selected by the Allocation Committee to know. The letter may also include the company's views on being traded by [units] firms which are experienced in trading companies in its industry or country. The listing company may not, however, identify any particular specialist [unit] firm in [its] this letter, or specify characteristics of a specialist [unit] firm so unique as to be applicable only to a readily identifiable specialist [unit] firm.

(a) Instrumental Letter. In any case where a listing company believes that a particular specialist [unit] firm has been instrumental in helping it reach a decision to list on the Exchange, the listing company may communicate this fact in a separate letter to the Allocation Committee. Such separate letter may mention only one specialist [unit] firm. Such separate letter shall not be made available to specialist [unit] firm applicants for the listing company's [stock] security. The Allocation Committee shall include the specialist [unit] firm named in such separate letter in the group of [units] firms selected to [meet] interview with the listing company, unless such specialist [unit] firm is otherwise precluded under this Allocation Policy from applying to be allocated a [stock] security.

[Meetings Between Listing Company and Specialist Units. By the close of business on the last Exchange business day of the week in which the selection of a group of specialist units as described above takes place (unless the Exchange has determined to permit a longer time period in a particular case), the listing company shall meet with representatives of each of the specialist units. Meetings shall normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere. At least one representative of the listing company must be a senior official of the rank of Corporate Secretary or above of that company. In the case of the listing of a structured product, a senior officer of the issuer may be present in lieu of the Corporate Secretary. No more than three representatives of each specialist unit may participate in the meeting, each of whom must be employees of the specialist unit, and one of whom must be the individual who is proposed to trade the company's stock.

Teleconference meetings will be permitted at the request of non-U.S. listing companies, or for U.S. listing companies in compelling circumstances and with the approval of the Exchange.]

[Listing Company's Selection of Specialist Unit. As soon as practicable following its meeting with representatives of the specialist units, the listing company shall select its specialist unit in writing, signed by a senior official of the rank of Corporate Secretary or higher, or in the case of a structured product listing, a senior officer of the issuer, duly authorized to so act on behalf of the company. If a listing company meets with any of its specialist units on the last Exchange business day of the week, it shall make its decision on that day. The Allocation Committee shall then confirm the allocation of the stock to that unit, at which time the stock shall be deemed to have been so allocated.]

E. Information in Allocation Applications.

(i) In their applications for the allocation of a listing company's [stock] security, specialist [units] firms must describe all pertinent factors as to why they believe they should be allocated the [stock] security. At a minimum, such factors should include how the [unit] firm will allocate resources (staff and/or capital) to accommodate this new issue and what new resources, if any, [will] the [unit] firm will need to acquire to service this [stock] security; the identity and experience of the individual proposed to trade the [stock] security, with a description of other securities traded by that individual; and a discussion of why that individual is appropriate to trade the listing company's [stock] security.

(ii) If the listing company has submitted a letter to the Allocation Committee as permitted herein, a copy of such letter shall be made available to all specialist [units] firms. In their applications to be allocated the [stock] security of such company, specialist [units] firms shall be expected to indicate how they meet any characteristics described in the company's letter. [If, within six months of the date a newly-listed company begins trading on the Exchange (or a company which has been reallocated begins trading with its new unit), the specialist unit determines that the individual specialist who trades the company's stock should be an individual other than the one named in the allocation application, the specialist unit shall so inform the Allocation Committee, in writing, and disclose its reasons thereof. These letters shall be maintained in the permanent records of the Committee.]

(iii) Contact between [l] Listing [c] Companies and [s] Specialist [units] Firms

(a) Disclosure. Specialist [units] firms must describe in their allocation applications [to be allocated the stock of a listing company] any contacts they, or any individual acting on their behalf, have had with any employee of [that] the listing company, or any individual acting on behalf of that company, with regard to its prospective listing on the Exchange, within six months [prior to the earlier] of the date that [written notice is given that the listing company filed its listing application with the Exchange or the date that] allocation applications are solicited with respect to that company.

[Specialist units or any individual acting on their behalf may not have any contact with a listing company from the earlier of the time that written notice is given that the listing company filed its listing application with the Exchange; or the time that the allocation applications are solicited with reference to that company.

(Information about the listing company is distributed to specialists on the stock data sheet by the Exchange.) Once a specialist unit is selected to be in the group

of units chosen by the Allocation Committee, it may provide material to the Exchange which will be given to the listing company on the day of the scheduled interview. Such material shall be given to the Exchange no later than two hours before the scheduled interview with the listing company. Such material must be limited to information pertaining to the specialist unit, and may not contain information that refers to another specialist unit or units, except overall floorwide statistics. Any material pertaining to the specialist unit's performance as a specialist may not be provided on Exchange documents but may be supplied on the specialist unit's own letterhead.]

[At an interview with a listing company, a specialist unit may not supply information concerning another specialist unit or units either orally or in writing, except it may refer to overall floorwide statistics. Information concerning the specialist unit contained in Exchange documents may be provided either orally or in writing on the specialist's own letterhead.]

[Following its interview, a specialist unit may not have any contact with a listing company. If a listing company has a follow-up question regarding any specialist unit(s) it interviewed, it must be conveyed to the Exchange. The Exchange will contact the unit(s) to which the question pertains and will provide any available information received from the unit(s) to the listing company.]

F. Allocations [r] Received

The Allocation [c]Committee is provided information on the specialist designated in each allocation application and allocations received by each [unit] firm in the preceding year and the current year, the number of applicants for those [stocks] securities allocated in the past and the number of [stocks] securities lost through corporate mergers, delistings or other such events over which the specialist has no control. While a recent allocation does not preclude a [unit] firm from being awarded a subsequent new listing, the Allocation [c]Committee may consider[s] such factors in comparing similarly qualified applicants.

G. Capital [d] Deficiency [i] Information

The Allocation [c]Committee is informed of any applicant that is in capital violation, or is potentially in violation, based on a current check of estimated capital data (conducted between the application deadline and the date of the allocation meeting). A [unit] firm with a capital deficiency will be informed in advance of the meeting and may provide information for the Allocation [c]Committee explaining the circumstances of the [unit's] firm's capital situation. [The unit's capital history will also be provided (frequency of past violations and borderline situations).]

H. Disciplinary [and cautionary] [d] Data, [and] Including Admonition Letters and Summary Fines

The Allocation [c]Committee is informed of disciplinary [and cautionary] actions, and the issuance of summary fines and admonition letters, as described below.

(i) [Cautionary] All admonition letters and summary fines [regarding market maintenance] with respect to a specialist firm and individual specialist proposed by a firm to trade a security to be allocated are reported for 12 months [beginning at] from the time of issuance.

[All other cautionary letters and summary fines are reported for 6 months beginning at the time of issuance.

The preceding parameters apply equally to disciplinary or cautionary actions that result from a justifiable complaint (public or institutional complaint received via correspondence).]

(ii) [The committee is informed of s] Significant pending enforcement matters [.] against specialist firms and an individual specialist proposed by a firm to trade a security to be allocated [The investigations] are [included in an allocation file] reported when the commencement of an enforcement action is authorized. [If formal disciplinary action is ultimately taken, the item would remain in the file for 12 months after a Hearing Panel decision is final.]

(iii) Formal disciplinary actions against a specialist firm and an individual specialist proposed by a firm to trade a security to be allocated are reported for three years after a Hearing Panel decision becomes final.

I. Foreign [l] Listing [c] Considerations

The special characteristics of foreign issues often require the specialist to commit extra resources in order to be a presence in the foreign market. Therefore, in allocating a foreign issue, the Allocation [c]Committee also considers a specialist applicant's commitment to establish and maintain relationships with arbitrage houses and foreign brokerage firms, and to gain familiarity with various aspects of trading securities of foreign issuers.

VI. SELECTION OF SPECIALIST BY LISTING COMPANY

A. Listing Company Interviews with Specialist Firms

(i) Timing of Interviews. By the close of business on the last Exchange business day of the week in which the selection of a group of specialist firms as described above takes place (unless the Exchange has determined to permit a longer time period in a particular case), the listing company shall interview representatives of each of the specialist firms in the group. Interviews shall normally be held at the Exchange, unless the Exchange has agreed that they may be held elsewhere. At least one representative of the listing company attending the interview must be a senior official of the rank of Corporate Secretary or above of the listing company. In the case of the listing of a structured product, a senior officer of the issuer or its subsidiary participating in the issuance of the structured product may be present in lieu of the Corporate Secretary. No

more than three representatives of each specialist firm in the group may participate in the interview, each of who must be employees of the specialist firm, and one of who must be the individual who is proposed by the specialist firm to trade the company's security if the firm receives the allocation.

(ii) Teleconference interviews. Teleconference interviews will be permitted at the request of non-U.S. listing companies, or for U.S. listing companies only in compelling circumstances and with the approval of the Exchange.

(iii) Listing company access to objective performance information. Prior to its interview with the specialist firms chosen by the Allocation Committee to be part of the group from which it will make its selection of a specialist, the listing company will be given the same objective performance information considered by the Allocation Committee with respect to each specialist firm in the group and each individual specialist proposed to trade the listing security should his or her firm receive the allocation.

(iv) Submission of materials prepared by specialist firm . A specialist firm selected to be in the group of firms chosen by the Allocation Committee to interview with the listing company may provide material to the Exchange which will be given to the listing company on the day of the scheduled interview. Such material shall be given to the Exchange no later than two hours before the first scheduled interview with the listing company. Such material must be limited to information pertaining to the specialist firm and its proposed specialist and may not contain information that refers to any other specialist firm or to any individual specialist not associated with that firm, except overall floor-wide statistics. Material pertaining to the specialist firm or proposed specialist may not be provided on Exchange-issued documents, but may be supplied on the specialist firm's letterhead.

(v) Specialist's disclosure of information and use of materials at interviews. At the interview with a listing company, a specialist firm may not supply information, either orally or in writing, concerning any other specialist firm or individual specialist not associated with that firm, except it may refer to overall floor-wide statistics. Information concerning the specialist firm or proposed specialist may not be provided on Exchange-issued documents, but may be stated orally or supplied on the specialist firm's letterhead.

(vi) Contact following interview. Following its interview with a listing company, a specialist firm and any individual acting on its behalf, may not have any contact with a listing company or any individual acting on the listing company's behalf until after the allocation decision is announced. If a listing company has a follow-up question for any of the specialist firms it interviewed, the question must be conveyed to the Exchange and the Exchange will contact the firm(s) to which the question pertains and will provide any information received from the firm(s) to the listing company.

B. Listing Company's Selection of Specialist Firm

As soon as practicable following its interview with representatives of the specialist firms, the listing company shall select its specialist firm and advise the Exchange in a writing signed by a senior official of the listing company of the rank of Corporate Secretary or higher, or in the case

of a structured product listing, a senior officer of the issuer or its subsidiary participating in the issuance of the structured product duly authorized to so act on behalf of the company. If a listing company meets with any of its specialist firms on the last Exchange business day of the week, it shall make its decision that day, unless the Exchange has determined to permit a longer time period in a particular case. The Allocation Committee shall then confirm the allocation of the security to the specialist firm, at which time the security shall be deemed to have been so allocated.

C. Change of Proposed Specialist after Listing

If, within one year of the date a newly-listed company begins trading on the Exchange (or a company which has been reallocated begins trading with its new firm), the specialist firm determines that the individual specialist who trades the company's security should be an individual other than the one named in the allocation application, the specialist firm must obtain the agreement of the listed company to the change and must provide the Allocation Committee and the Exchange's Division of Market Surveillance, in writing, the reasons for the change and the listed company's written agreement to the change. These writings shall be maintained in the permanent records of the Allocation Committee and the Exchange.

VII. [POLICY] NOTES

A. Spin-offs and [I] Listing of [r] Related [c] Companies

If a listing company is a spin-off of or a company related to a listed company, the listing company may choose to stay with the specialist [unit] firm registered in the related listed company or be referred to the Allocation Committee. If the matter is referred to the Allocation Committee, all specialists are invited to apply. Information about the relationship to a listed company and the name of the specialist involved[,] is included on the [stock] security data sheet inviting specialist applications. The same information is provided to the Allocation [c]Committee for consideration in its deliberations regarding the allocation of the new listing. [i]If the listing company chooses to have its specialist [unit] firm selected by the Allocation Committee in accordance with the procedures set forth herein for a newly-listing company, the Allocation Committee shall honor the company's request not to be allocated to the specialist [unit] firm that trade[d]§ the related listed company. Alternatively, if the listing company chooses to select its specialist [unit] firm from among a group of [units] firms selected by the Allocation Committee, the Allocation Committee shall honor the listing company's request to include or exclude from the group chosen by the Allocation Committee for the listed company's consideration the specialist [unit] firm that trade[d]§ the related listed company.

B. Relistings

Relistings are treated as new listings, with allocation open to all [units] firms. Information about the prior listing and the name of the specialist involved[,] is included on the [stock] security data sheet inviting specialist applications. The same information is provided to the Allocation [c]Committee for consideration in [their] its deliberations regarding the allocation of the new listing. While Allocation [c]Committee members use their own judgment to determine what

consideration, if any, should be given to that information, a relisting company's request not to be allocated to its former specialist [unit] firm will be honored.

C. Common Stock Listing after Preferred Stock

When a company applies to list an issue of common stock after having listed a preferred issue, the common stock is referred to the Allocation Committee, with allocation open to all [units] firms. Information about the preferred stock and the name of the specialist involved, is included on the [stock] security data sheet inviting specialist applications. The same information is provided to the [c]Committee for consideration in its deliberations regarding the allocation of the common listing. The company may choose to have its specialist [unit] firm selected by the Allocation Committee, or it may choose to select its specialist [unit] firm from among a group of [units] firms selected by the Allocation Committee. The specialist [unit] firm that trades the preferred stock must be included in such group of [units] firms.

D. Listed Company Mergers

(i) Merger of Exchange-listed companies. When [two NYSE] Exchange-listed companies merge, the merged entity is assigned to the specialist in the company that is determined to be the survivor-in-fact (dominant company). Where no surviving/dominant entity can be identified, the merged company may select one of the [units] firms trading the merging companies without the [stock] matter being referred to the Allocation Committee, or it may request that the matter be referred to the Allocation Committee. If the merging company chooses to have its specialist [unit] firm selected by the Allocation Committee (Option 1), the company may not request that the Allocation Committee not allocate the [stock] security to one of the specialist [units] firms trading the merging company. If the merging company chooses to select its specialist [unit] firm from among a group of [units] firms selected by the Allocation Committee (Option 2), such group must include the specialist [units] firms of the merging companies[and must include additional unit(s)]. The number of additional [units] firms in the group must be consistent with the requirement that each such group consist of four [three to five units] specialist firms. The merging company may not request that any of the [units] firms trading the merging companies be excluded from the group.

(ii) Merger of Exchange-listed and unlisted companies. In situations involving the merger of a listed company and an unlisted company, where the unlisted company is determined to be the survivor-in-fact, such company may choose to remain registered with the specialist [unit] firm that had traded the listed company [entity] in the merger[,] or it may request that the matter be referred to the Allocation Committee. In such a case, applications will be invited from all specialist [units] firms. If the unlisted company chooses to have its specialist [unit] firm selected by the Allocation Committee (Option 1), the company may not request that the Allocation Committee not allocate the [stock] security to the specialist [unit] firm that had traded the listed company. If the unlisted company chooses to select its specialist [unit] firm from among a group of [units] firms selected by the Allocation Committee (Option 2), such group must include the specialist [unit] firm that had traded the listed company. The unlisted company may not request that the specialist [unit] firm that had traded the listed company be excluded.

E. Tracking (“Target”) Stock[.]

(i) Newly-issued tracking stock. If a tracking (“target”) stock[(s)] is issued by a listed company, the listed company may choose to have its newly-issued tracking stock[(s)] stay with the specialist [unit] firm registered in the listed company that issued the tracking stock[(s)] or be referred to the Allocation Committee. If the matter is referred to the Allocation Committee, all specialists are invited to apply. Information about the tracking security’s relationship to a listed company and the name of the specialist involved, is included on the [stock] security data sheet inviting specialist applications. The same information is provided to the Allocation C[c]ommittee for consideration in its deliberations regarding the allocation of the new listing. If the listed company chooses to have the specialist of the tracking stock[(s)] selected by the Allocation Committee in accordance with the procedures set forth herein for a newly-listing company (Option 1), the Allocation Committee shall honor the listed company’s request not to have this tracking stock allocated to the specialist [unit] firm that trade[d]s the listed company. Alternatively, if the listed company chooses to select the specialist [unit] firm of the tracking stock[(s)] from among a group of [units] firms selected by the Allocation Committee (Option 2), the Allocation Committee shall honor the listed company’s request to include or exclude from the group the specialist [unit] firm that trade[d]s the listed company.

(ii) New listing of existing tracking stock. The specialist [unit] firm registered in such stock prior to a separate listing of the tracking stock shall remain registered in such stock after its separate listing, unless the listing company requests that the matter be referred to the Allocation Committee. In such a case, applications will be invited from all specialist [units] firms.[.] If the listed company chooses to have the specialist of the tracking stock selected by the Allocation Committee in accordance with the procedures set forth herein for a newly-listing company (Option 1), [and] the Allocation Committee shall honor the company’s request not to be allocated to the specialist [unit] firm that had traded the [“target”] tracking stock. Alternatively, if the listing company chooses to select the specialist [unit] firm of the separately listing tracking stock from among a group of [units] firms selected by the Allocation Committee (Option 2), the Allocation Committee shall honor the listing company’s request to include or exclude from the group the specialist [unit] firm that had traded the [“target”] tracking stock.

F. Allocation of Closed-End Management Investment Companies (“Funds”) under Option 2

Once a Fund lists on the Exchange pursuant to Option 2 of this policy, the group from which it selected its specialist shall remain effective with respect to any other Fund(s) the issuer lists on the Exchange within nine months from the date the Allocation Committee chose the group.

With respect to listings within the nine-month period, the Fund may select as its specialist any of the firms in the group or request that the matter be referred to the Allocation Committee for allocation pursuant to Option 1 or Option 2.

Prior to each new listing within the nine-month period, the Fund will be provided with updated information regarding the objective performance measures and disciplinary history for each specialist firm and proposed specialist in the group.

If at the time of a subsequent new Fund listing within the nine-month period, a proposed specialist or specialist firm is ineligible from participating in an allocation as set forth in this policy, that firm will be eliminated from the group from which the Fund can select its specialist for the remainder of the nine-month period.

If at the time of a subsequent new Fund listing within the nine-month period, a proposed specialist is no longer associated with the specialist firm that proposed him or her, that firm will be eliminated from the group from which the Fund can select its specialist for the remainder of the nine-month period.

G. Allocation of Group of Closed-End Management Investment Companies (“Funds”)

In any case where all the Funds in a group of closed-end management investment companies are being listed concurrently with a common investment adviser or investment advisers who are "affiliated persons" pursuant to the alternate criteria in Section 102.04 of the Listed Company Manual (for groups where one or more Funds do not meet the ordinary requirement for public market value of \$60,000,000), the entire group should be allocated to one specialist [unit] firm, unless there are factors, such as the number of funds in the group, the types of funds, or the relative values of the funds, which the Allocation Committee believes make allocation to more than one [unit] firm appropriate.

H. Allocation Freeze Policy

In the event that a specialist [unit] firm: (i) loses its registration in a specialty [stock] security as a result of proceedings under Exchange Rules 103A, 475 or 476; or (ii) voluntarily withdraws its registration in a specialty [stock] security as a result of possible proceedings under those rules, the [unit] firm will be ineligible to apply for future allocations for the six month period immediately following the reassignment of the security (“Allocation Prohibition”).

Following the Allocation Prohibition, a second six month period will begin during which a specialist [unit] firm may apply for new listings, provided that the [unit] firm demonstrates to the Exchange relevant efforts taken to resolve the circumstances that triggered the Allocation Prohibition. The determination as to whether a [unit] firm may apply for new listings will be made by Exchange staff, in consultation with the BoE Floor Representatives. The factors the Exchange will consider will vary depending on the [unit’s] firm’s particular situation, but may include one or more steps such as:

- supplying additional manpower/experience;
- changes in professional staff;
- attaining appropriate dealer participation;
- enhancing back-office staff; and
- implementing more stringent supervision/new procedures.

I. Allocation Sunset Policy

Allocation decisions shall remain effective with respect to any initial public offering (IPO) listing company which lists on the Exchange within [three] six months of such decision. Allocation decisions shall remain effective with respect to any initial listing of Investment Company Units (as defined in paragraph 703.16 of the Listed Company Manual) and Trust Issued Receipts (as defined in Exchange Rule 200) (collectively known as Exchange Traded Funds (“ETFs”)) which list on the Exchange within one year of such decision. In situations in which the selected specialist [unit] firm merges or is involved in a combination within the [three-month] six-month (IPO) or one year (ETF) period, the company may choose whether to stay with the selected specialist [unit] firm, or be referred to allocation. If a listing company does not list within [three months,] six months (IPO) or one year (ETF), the matter shall be referred again to the Allocation Committee, with applications invited from all [units] firms.

IPOs listing more than three months after an allocation decision and ETFs listing more than six months after an allocation decision will be given updated information regarding the objective performance measures and disciplinary history for the specialist firm selected and its proposed specialist. Where the updated information reflects a change as compared with the objective performance measure information or disciplinary history existing at the time the firm was selected, the listing company may request that the matter be referred to the Allocation Committee for allocation in accordance with this policy.

If at the time the IPO or ETF is ready to list, a specialist firm or its proposed specialist is ineligible to participate in allocations as set forth in this policy, the matter shall be referred to the Allocation Committee for allocation consistent with this policy.

J. Support of the [a] Allocation system

The Allocation Committee views positively a specialist [unit's] firm's applying for a broad range of issues.

K. Criteria for [a] Applicants for [a] Allocations that are not [c] Currently [s] Specialists

Since an entity seeking to enter the specialist business does not have a history directly comparable to that of existing [units] firms, the Allocation Committee considers the following criteria with respect to applicants that are not currently specialists.

1. Individuals proposed as specialists must have successfully completed the Exchange's specialist examination.
2. The proposed [unit] firm must demonstrate that it understands the specialist business, including the needs of brokers, their organizations, and their customers.
3. The proposed [unit] firm must demonstrate an ability and willingness to trade as necessary to maintain fair and orderly markets with depth and liquidity, and facilitate the execution of orders.

- a) The proposed [unit] firm should indicate the extent of its capital commitment to specializing over and above the minimum capital requirements.
 - b) The proposed [unit] firm must have sufficient specialist and clerical support dedicated to maintaining and servicing the market in a specialty [stock] security.
 - c) If the proposed specialist [unit] firm or any of its participants is presently a specialist or market maker on any exchange, performance during the prior 12 months, as evidenced by available data maintained by such exchange which evaluates the quality of performance of the [unit] firm or its participants as a specialist or market maker on such exchange, will be considered by the Allocation Committee.
4. Other factors that will be considered by the Allocation Committee include any action taken or warning issued within the past 12 months by any regulatory or self-regulatory organization against the [unit] firm or any of its participants with respect to any capital or operational problem, or any regulatory or disciplinary matter.

L. Change of Specialist [Unit] Firm upon Request of Issuer

When an issuer has requested a change of specialist [unit] firm pursuant to Section 806.01 of the Exchange's Listed Company Manual, that [unit] firm may apply for the allocation consistent with the policies and procedures set forth in this Rule 103B. If the specialist [unit] firm does not apply for such allocation, the [unit] firm may not be allocated the security under the provisions of this rule relating to selection of a specialist [unit] firm by the Allocation Committee (Option 1).

No negative inference for allocation or regulatory purposes is to be made against a subject specialist [unit] firm in the event that a specialist [unit] firm is changed pursuant to Section 806.01 of the Exchange's Listed Company Manual. Similarly, the specialist [unit] firm shall not be afforded preferential treatment in subsequent allocations as a result of a change pursuant to such provision.

M. Prohibition Against Offering Incentives

Neither specialist firms nor anyone acting in their behalf may offer to pay for or subsidize the cost of services or other incentives provided to a listing company in whole or in part by third parties.

VIII. PROCEDURES

A. Applications

Whenever a security is to be allocated to a specialist [unit] firm, all specialist [units] firms are invited to submit applications to the Exchange prior to the published deadline for the allocation of such security. The application of any specialist [unit] firm shall be in such form as shall be approved from time to time by the Exchange, but each applicant shall be free to submit in writing

such additional information in support of its application as it may wish to bring to the attention of the Allocation Committee.

B. Blanket [a] Applications

(i) All specialist [units] firms shall be deemed to have filed with the Exchange a blanket application pursuant to which the applicant agrees to accept the allocation of any security. Any security allocated to a specialist [unit] firm on the basis of its blanket application shall not be reflected in the records of the Exchange as a "security gained" nor shall it prejudice that [unit's] firm's eligibility for future allocations.

(ii) Designated Specialist. Whenever a security is to be allocated, each specialist firm must designate an individual specialist capable of handling the listing security, should it be allocated to the firm on the basis of its blanket application. . Specialist firms must describe in their allocation applications any contacts they, or any individual acting on their behalf, have had with any employee of the listing company, or any individual acting on behalf of that company, with regard to its prospective listing on the Exchange . The name of the designated specialist shall be given to the Exchange's Division of Market Surveillance in the manner and within the timeframe as the Exchange shall from time to time provide.

C. Decision [m] Making

An allocation decision pursuant to this policy is made on the basis of the specified criteria, by a majority vote of the Allocation [c]Committee members present at the meeting and eligible to vote on such matter.

D. Announcement

Written notice of the name and post location of the successful applicant are made known to the members of the Exchange and to the issuer of the security allocated.

E. Registration of Specialists

Each member associated with the specialist [unit] firm to which any security is allocated who acts as a regular specialist in such security shall be registered as a specialist in such security pursuant to Rule 103.

[VII.] IX. EDUCATION

Education of all participants is a key to ensuring continued quality and consistency in the allocation process. A summary of the education process follows:

New Allocation P[p]anel members receive an orientation conducted by former Allocation Committee [chairmen] chairpersons and staff, and serve as observers at meetings before their terms begin. A standardized agenda for educating Allocation Committee members will be made available.

The new Allocation Committee [chairman] chairperson is elected [two] one month[s] in advance of his or her appointment to provide time to observe and learn from the existing [chairman] chairperson. The newly elected [chairman] chairperson also receives an orientation by former Allocation [c]Committee [chairmen] chairpersons [and the Quality of Markets Committee]. A standardized agenda for educating new [chairmen] chairpersons will be made available.

Educational efforts regarding the allocation process are offered periodically for specialists as well as the general membership.

[VIII.] X. POLICY FOR ALLOCATION OF EXCHANGE-TRADED FUNDS ADMITTED TO TRADING ON THE EXCHANGE ON AN UNLISTED TRADING PRIVILEGES BASIS

Investment Company Units (as defined in paragraph 703.16 of the Listed Company Manual) and Trust Issued Receipts (as defined in Exchange Rule 1200) (collectively known as Exchange-Traded Funds) ("ETFs") admitted to trading on the Exchange on an unlisted trading privileges basis shall be allocated pursuant to this Policy rather than the Exchange's policy for allocating securities to be listed on the Exchange.

ETFs shall be allocated by a special committee consisting of the [Chairman] chairperson of the Allocation Committee, the three most senior Floor broker members of the Allocation Committee, and four members of the Exchange's senior management as designated by the Chief Executive Officer of the Exchange. This committee shall solicit allocation applications from interested specialist [units] firms, and shall review the same performance and disciplinary material with respect to specialist [unit] firm applicants as would be reviewed by the Allocation Committee in allocating listed [stocks] securities. The special committee shall reach its decisions by majority vote with any tie votes being decided by the Chief Executive Officer of the Exchange. Specialist [unit] firm applicants may appear before the special committee.

Special Criteria

In their allocation applications, specialist [units] firms must demonstrate:

- (a) an understanding of the trading characteristics of ETFs;
- (b) expertise in the trading of derivatively-priced instruments;
- (c) ability and willingness to engage in hedging activity as appropriate;
- (d) knowledge of other markets in which the ETF to be allocated trades;
- (e) willingness to provide financial and other support to Exchange marketing and educational initiatives with respect to the ETF to be allocated[.] ;
- (f) continuing commitment to support, strengthen and advance the Exchange's efforts to establish and develop its ETF market.

Allocation Freeze Policy

The Allocation Freeze Policy as stated in the Allocation Policy for listed [stocks] securities shall apply.

Prohibition on Functioning as Specialist in ETF and Specialist in any Component Security of the ETF

No specialist member organization may apply to be allocated an ETF if it is registered as specialist in any security which is a component of the ETF. A specialist member organization which is registered as specialist in a component [stock] security of an ETF may establish a separate member organization which may apply to be the specialist in an ETF. The approved persons of such ETF specialist member organization must obtain an exemption from specified specialist rules pursuant to Rule 98.

If, subsequent to an ETF being allocated to a specialist member organization, a security in which the specialist member organization is registered as specialist becomes a component security of such ETF, the specialist organization must (i) withdraw its registration as specialist in the security which is a component of the ETF; (ii) withdraw its registration as specialist in the ETF; or (iii) establish a separate specialist member organization, which will be registered as specialist in the ETF and whose approved persons have received an exemption from specified specialist rules pursuant to Rule 98.

Rule 103A

[Specialist Stock] Reallocation of Securities and Member Education and Performance

[Rule 103A]

No change in (a) through (h)

Supplementary Material:

.10 Performance Improvement Action Criteria.-The Market Performance Committee shall initiate a Performance Improvement Action as described in paragraph (b) above whenever a specialist [unit] firm does not meet any standard of acceptable performance as specified below[:].

[(A) Specialist Performance Evaluation Questionnaire

(i) in any case where a specialist unit's overall rank on the quarterly SPEQ is in the lowest 10% of all specialist units, and its range of ranks is in the lowest 15% of all units, for any quarter;

(ii) in any case where a specialist unit's rank in two or more functions on the quarterly SPEQ is in the lowest 10% of all specialist units, and its range of ranks is in the lowest 15% of all units, for any quarter;

(iii) in any case where a specialist unit's rank in a particular function on the quarterly SPEQ is in the lowest 10% of all specialist units, and its range of ranks is in the lowest 15% of all units, in each of two consecutive quarters.

The ranks and ranges of ranks operate as follows. Assume, for example, that there are 50 specialist units, and that unit A has received a rank (either overall or for a particular function) of 46 out of 50, with a range of ranks of 44 to 50. The unit's overall rank is in the lowest 10%, and its range of ranks is in the lowest 15%, as this range indicates that the unit is not statistically significantly different from a unit rated no higher than 44 (which is in the bottom 15%).]

(A) Market Depth:

In any case where:

(i) A specialist firm has an overall quarterly Market Depth (“Depth”) score that is below 1.90 and more than one standard deviation below the average quarterly Depth score for all specialist firms for two consecutive quarters, or

(ii) A specialist firm has an overall quarterly Depth score that is below 1.90 and more than one standard deviation below the average quarterly Depth score for all specialist firms for two out of four consecutive quarters, or

(iii) A specialist firm has more than 10% of its eligible securities with overall quarterly Depth scores below 0.50 and such percent is more than one standard deviation above the average of the Depth scores of each specialist firm for two consecutive quarters.

An individual security's overall quarterly Depth scores will be calculated only if it had daily scores on more than 31 days in the quarter.

(B) Price Continuity

In any case where:

(i) A specialist firm has an overall quarterly Price Continuity ("Continuity") score that is below 1.90 and more than one standard deviation below the average quarterly Continuity score for all specialist firms for two consecutive quarters, or

(ii) A specialist firm has an overall quarterly Continuity score that is below 1.90 and more than one standard deviation below the average quarterly Continuity score for all specialist firms for two out of four consecutive quarters, or

(iii) A specialist firm has more than 10% of its eligible securities with overall quarterly Continuity scores below 0.50 and such percent is more than one standard deviation above the average of the Continuity scores of each specialist firm for two consecutive quarters.

An individual security's overall quarterly Continuity score will be calculated only if it had daily scores on more than 31 days in the quarter.

[(B)] (C) Openings

(i) in any case where, for two consecutive quarters, a specialist [unit] firm has not opened, at least 90% of the time, one or more of its common stocks or non-convertible preferred stocks, by means of an opening trade or a quotation, by 9:45 a.m. In calculating a [unit's] firm's performance in this area, the following types of openings will be excluded:

[•] regulatory delayed openings; and

[•] written exemptions from a Floor Official certifying a non-regulatory post-9:45 a.m. opening is justified by market conditions related to a particular stock.

(ii) in any case where a specialist [unit] firm receives unfavorable Floor Official evaluations equal to 15% of its registered common stocks, or a minimum of 7, whichever is greater, in any quarter as to the timeliness of a [unit's] firm's request for a non-regulatory delayed opening.

[(C)] (D) Order Reports/Administrative Responses

In any case where a specialist firm:

(i) [in any case where a specialist unit] does not turn around 90% of its DOT orders in [one minute] 30 seconds or less during any [two] quarter[s] in a "rolling" four quarters period[.];

[In any Performance Improvement Action that may be commenced as a result of below standard DOT performance, the Market Performance Committee, in setting specific DOT performance improvement goals the unit would be expected to achieve, and the Monitoring Team, in assisting the unit in developing a Performance Improvement Plan, shall give consideration to the following factors:

- the unit's DOT order flow per panel;
- the severity of systems' malfunctions (if any);
- the assigned Post space available to the unit.]]

(ii) has two panels at the same post with 30-second turnaround percentages below 75% for any one quarter; or

iii in any case where a specialist [unit] firm does not respond to 90% of its administrative messages received through the SuperDOT system in 10 minutes during any two quarters in a "rolling" four quarter period.

.20 Performance Related Data. In fulfilling its chartered responsibilities, the Market Performance Committee shall have the authority to review all performance data pertaining to any [unit] firm. Notwithstanding that a [unit's] firm's performance may not fall below any standard established as adequate or minimally acceptable performance, the Market Performance Committee may, in an appropriate case to improve a [unit's] firm's performance, engage in educational counseling of the [unit] firm by members of the Market Performance Committee.

.30 The Market Performance Committee is authorized under this Rule to adopt such standards and measurements of specialist performance as it deems appropriate, and may from time-to-time modify or delete the standards and measurements noted above, or add additional standards and measurements. Any such modifications, deletions or additions shall be communicated to the membership at least one quarter before they are actually implemented, and shall be formally reflected in the text of this Supplementary Material to Rule 103A.

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Rule 476A

Imposition of Fines for Minor Violation of Rules

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No change in (a) through (e)

Supplementary Material:

List of Exchange Rule Violations and Fines

Applicable Thereto Pursuant to Rule 476A

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[*Participation in the Specialist Performance Evaluation Questionnaire (SPEQ) Process (Rule 103A)*]

Rule 103B Allocation Policy

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(remainder of rule unchanged)

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Rule 123E

Specialist Combination Review Policy

[Rule 123E]

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No change in (a) through (d)

(e) (1) In all situations involving a proposed combination of specialist [units] firms, the Market Performance Committee shall assess the impact of the proposal upon specialist performance and market quality with respect to the subject securities. In making such assessment, the Market Performance Committee shall:

(a) review the individual [unit's] firm's overall performance in various measures of specialist performance, such as ratings on [the Specialist Performance Evaluation Questionnaire] objective measures of performance, SuperDOT turnaround performance and administrative response times, capital utilization, dealer participation rates, stabilization rates, continuity, depth, quote spreads, as well as recent regulatory and disciplinary history; and

* * * * *

(remainder of rule unchanged)