



RULE
ADOPTION
NOTICE

RAN-06-44
October 4, 2006

TO: ETP Holders and Sponsored Participants
FROM: Department of Regulatory Policy
SUBJECT: Regulation NMS
(File No. SR-NYSEArca-2006-59)

On September 14, 2006, NYSE Arca Inc. (“Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed change to NYSE Arca Equities Rules in order to amend them to conform them to the requirements of the SEC’s Regulation NMS. The Exchange filed Amendment No 1 to the proposal on September 29, 2006. The Commission approved the proposed rule change, as amended on September 29, 2006. Changes pursuant to this filing will become operative on February 7, 2007 in connection with the trading phase date of Regulation NMS.

The following is the text of the rule change. Questions regarding this bulletin may be directed to Janet Angstadt @ (312) 442-7147.

Text of the Proposed Rule Change:¹

Rules of NYSE Arca Equities, Inc.

NYSE ARCA EQUITIES RULES

RULE 1 DEFINITIONS

Rule 1.1

DEFINITIONS

Whenever and wherever used herein, unless the context requires otherwise, the following terms shall be deemed to have the meanings indicated:

* * *

¹ New text is underscored and deleted text is in brackets.

Nasdaq Security

(aa) The term "Nasdaq Security" shall mean any registered security listed on the Nasdaq and (i) designated as an eligible security pursuant to the Joint Self-Regulatory Organization Plan Governing the Collection, Consolidation and Dissemination of Quotation and Transaction Information for Nasdaq-Listed Securities Traded on Exchanges ("Nasdaq Unlisted Trading Privileges Plan"), as amended, filed with and approved by the Commission pursuant to SEC Rule 11Aa2-1 under the Exchange Act and (ii) that is either listed on the Corporation pursuant to Rule 5 or as to which unlisted trading privileges have been granted pursuant to Section 12(f) of the Exchange Act.

* * *

NBBO, Best Protected Bid, Best Protected Offer, Protected Best Bid and Offer

(PBBO)

(dd) The term "NBBO" shall refer to the national best bid or offer. The terms "Best Protected Bid" shall refer to the highest Protected Bid, and "Best Protected Offer" shall refer to the lowest Protected Offer, and the term "Protected Best Bid and Offer" ("PBBO") shall refer to the Best Protected Bid and the Best Protected Offer.

Notice of Consent

(ee) No Change

NOW Recipient

(ff) No Change

Odd Lot Dealer

(gg) No Change

OTC/UTP Participant

(hh) No Change

OTC/UTP Plan

(ii) No Change

OTC/UTP Listing Market

(jj) No Change

OTC/UTP Regulatory Halt

(kk) No Change

Parent

(ll) No Change

Participant

(mm) No Change

NYSE Arca Parent

(nn) No Change

Person

(oo) No Change

Registered Employee

(pp) No Change

Routing Agreement

(qq) No Change

Security

(rr) The terms "security" and "securities" mean any security as defined in Rule 3(a)(10) under the Securities Exchange Act of 1934; provided, however, that for purposes of Rule 7 such terms mean any NMS stock.

Self-Regulatory Organization ("SRO")

(ss) No Change

Sponsored Participant

(tt) No Change

Sponsoring ETP Holder

(uu) No Change

Sponsorship Provisions

(vv) No Change

Stockholder Associate

(ww) No Change

Trading Facilities

(xx) No Change

User

(yy) No Change

User Agreement

(zz) No Change

Wholly Owned Subsidiary

(aaa) No Change

Designated Market Maker

(bbb) No Change

Lead Market Maker

(ccc) No Change

NMS Stock

(ddd) The term “NMS stock” shall mean any security, other than an option, for which transaction reports are collected, processed, and made available pursuant to an effective transaction reporting plan.

Protected Bid, Protected Offer, Protected Quotation

(eee) The term “Protected Bid” or “Protected Offer” shall mean a quotation in an NMS stock that is (i) displayed by an Automated Trading Center; (ii) disseminated pursuant to an effective national market system plan; and (iii) an Automated Quotation that is the best bid or best offer of a national securities exchange, the best bid or best offer of The Nasdaq Stock Market, Inc. or the best bid or best offer of a national securities association that is not the best bid or best offer of The Nasdaq Stock Market, Inc. The term “Protected Quotation” shall mean a quotation that is a Protected Bid or Protected Offer. For purposes of the foregoing definitions, the terms “Automated Trading Center,” “Automated Quotation,” “Manual Quotation,” “Best Bid,” and “Best Offer,” shall have the meanings ascribed to them in Rule 600(b) of Regulation NMS under the Securities Exchange Act.

Trade-Through

(fff) The term “trade-through” shall mean the purchase or sale of an NMS stock during regular trading hours, either as principal or agent, at a price that is lower than a Protected Bid or higher than a Protected Offer.

Trading Center

(ggg) For purposes of Rule 7, the term “Trading Center” shall mean a national securities exchange or a national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent. For purposes of this definition, the terms “SRO trading facility,” “alternative trading system,” “exchange market maker” and “OTC market maker” shall have the meanings ascribed to them in Rule 600(b) of Regulation NMS under the Securities Exchange Act.

Effective National Market System Plan, Regular Trading Hours

(hhh) For purposes of Rule 7, the terms “effective national market system plan” and “regular trading hours,” shall have the meanings set forth in Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

* * *

RULE 7 EQUITIES TRADING

Section 1. General Provisions

* * *

Rule 7.31.

Orders and Modifiers

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

Market Orders shall not trade through Protected Quotations.

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

(1) A limit order will not trade-through, lock or cross Protected Quotations except as provided in Rule 7.37(g)(1).

(c) No change

(d) Inside Limit Order. A Limit Order, which, if routed away pursuant to Rule 7.37(d), will be routed to the market participant with the best displayed price. Any unfilled portion of the order will not be routed to the next best price level until all quotes at the current best bid or offer are exhausted. If the order is no longer marketable it will be ranked in the NYSE Arca Book pursuant to Rule 7.36. An Inside Limit Order is "marketable" when it is priced to buy (sell) at or above (below) the NBBO for the security.

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

(1) A market or Inside Limit Order that is marked as immediate-or-cancel will not trade-through the NBBO or a Protected Quotation.

(2) A limit order marked as immediate-or-cancel will not trade-through a Protected Quotation.

(3) A limit order and directed limit order marked as immediate-or-cancel and as an intermarket sweep may trade-through all Manual and Protected Quotations. An immediate-or-cancel order for Trade-Through Exempt Securities (as defined in Rule 7.37) will be permitted to trade at a price no more than three cents (\$0.03) away from the NBBO displayed in the Consolidated Quote. The NBBO price protection provision set forth in Rule 7.37 will not apply to immediate-or-cancel orders in Nasdaq securities.

(f) Tracking Order.

An undisplayed, priced round lot order that is eligible for execution in the Tracking Order Process against orders equal to or less than the aggregate size of Tracking Order interest available at that price. If a Tracking Order is executed but not exhausted, the remaining portion of the order shall be cancelled, without routing the order to another market center or market participant. A Tracking Order shall not trade-through a Protected Quotation.

(g) Odd Lot Tracking Order.

(1) No change

(2) No change

(A) - (B) No change

(C) the price is set at the ~~PBBO~~NBBO; and

(D) No change

(E) the instruction must be in effect for the duration of Core Trading Hours; provided, however, the order described in the OLTO instruction will only be generated if

(1) No Change

(2) an odd lot limit order causes a locked market as described in Rule 7.37(e)
~~7.56~~.

* * *

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

(1) All-Or-None Order ("AON"). A limit order which is to be executed in its entirety or not at all. A limit order marked as All-or-None will not trade through a Protected Quotation.

(2) Discretionary Order. An order to buy or sell a stated amount of a security at a specified, undisplayed price (the "discretionary price"), in addition to at a specified, displayed price ("displayed price.")

(A) Passive Discretionary Order. A Discretionary Order may be designated as a Passive Discretionary Order and such order will be executed ~~routed~~ pursuant to Rule 7.37(b)(2). ~~(d) only if the displayed price is marketable against an away market participant.~~ Such order will interact only with interest within the Arca Book and will not route away. Passive Discretionary Orders may not trade-through a Protected Quotation.

(i) For Passive Discretionary Orders in exchange-listed securities, if the discretionary price is marketable, such order will only interact with trading interest in the NYSE Arca Book pursuant to Rule 7.37(b)(2) and will not be routed away. A Passive Discretionary Order for ITS Trade-Through Exempt Securities will be permitted to trade at

a price no more than three cents (\$0.03) away from the NBBO displayed in the Consolidated Quote.

(ii) For Passive Discretionary Orders in Nasdaq securities, if the discretionary price can be matched against orders in the NYSE Arca Book, such order will interact with trading interest in the NYSE Arca Book pursuant to 7.37(b)(2). The NBBO price protection provision set forth in Rule 7.37 will not apply to Passive Discretionary Orders in Nasdaq securities.

(B) Discretion Limit Order. A Discretionary Order may be designated as a Discretion Limit Order for Nasdaq securities only. If the discretionary price of a Discretion Limit Order can be matched against trading interest in the NYSE Arca Book, then such order will be executed at the discretionary price or better. If the discretionary price of a Discretion Limit Order can be matched against ~~an away market participant~~, a Protected Quotation, then such order will be routed pursuant to Rule 7.37(d) but only if the displayed share size of the Discretion Limit Order is equal to or less than the displayed share size of the away market participant. Discretion Limit Orders may not lock, cross or trade-through a Protected Quotation. The NBBO price protection provision set forth in Rule 7.37 will not apply to Discretion Limit Orders in Nasdaq securities.

(3) Reserve Order. No Change

(A) Sweep Reserve Order. No Change

(B) Random Reserve Order. No Change

(C) A Reserve Order and Sweep Reserve Order shall not lock, cross or trade-through a Protected Quotation.

(i) Directed Order.

(1) Any market or limit order to buy or sell which has been directed to a particular Designated Market Maker by the User. Users must be permissioned by Designated Market Makers to send a Directed Order to that Designated Market Maker. Directed Limit Orders may not lock, cross or trade-through a Protected Quotation.

* * *

(k) Q Order.

(1) No Change

(2) No Change

(3) Q Orders, Auto Q Orders and Reserve Q Orders shall not lock, cross or trade-through Protected Quotations.

(4) Q Orders designated as Intermarket Sweep Orders shall be rejected.

* * *

(s) Cross Order. A two-sided order with instructions to match the identified buy-side with the identified sell-side at a specified price (the "cross price"). For the purposes of this Rule 7.31(s), an order of block size shall have the same meaning as set forth in Rule 7.57. A Cross Order will be executed as follows; provided, however, no Cross Orders shall be matched at the cross price without interacting with any orders in the NYSE Arca Book unless the cross price improves the BBO by the ~~MPII, except as provided in Rule 7.6(a),~~ ~~Commentary 06-05,~~ minimum price increments pursuant to Rule 7.6.

- (1) If the cross price is equal to or better than the PBBO ~~NBBO~~,
- (A) and the cross price is between the BBO, the Cross Order shall be matched at the cross price without interacting with any orders in the NYSE Arca Book.
 - (B) and the cross price is at the BBO,
 - (i) first, the Cross Order shall be matched, at the displayed price, against all pre-existing displayed orders in the Display Order Process of the NYSE Arca Book with priority according to Rule 7.36; and
 - (ii) then, any remainder of the Cross Order shall be matched at the cross price.
- (2) If the cross price is outside ~~the~~ Protected Quotations or crosses any Protected Quotation ~~NBBO~~,
- (A) and the cross price is between the BBO,
 - (i) first, the portion of the Cross Order that may be executed against any Protected Bid (Offer) in another market that is superior to the cross price shall be routed away for execution against such quotation; and
 - (ii) No Change
 - (B) and the cross price is at the BBO,
 - (i) first, the portion of the Cross Order that may be executed against any Protected Bid (Offer) in another market that is superior to the cross price shall be routed away for execution against such quotation;
 - (ii) No Change
 - (iii) No Change
 - (C) and the cross price is outside the BBO,
 - (i) and any ~~the~~ NBBO Protected Quotation is better than the BBO,

(1) first, the portion of the Cross Order that may be executed against any Protected Bid (Offer) in another market that is superior to the BBO shall be routed away for execution against such quotation;

(2) then, the Cross Order shall be matched,

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

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

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

(3) No Change

(ii) and ~~the NBB~~ any Protected Quotation equals the BBO,

(1) No Change

(a) No Change

(b) No Change

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

(2) then, the portion of the Cross Order that may be executed against any Protected Bid (Offer) in another market that is superior to the cross price shall be routed away for execution against such quotation;

(3) No Change

(3) Following the execution parameters described above, any unexecuted portion of a Cross Order shall be canceled, unless the Cross Order has been designated as a Cross and Post, as defined in Rule 7.31(ff), in which case any unexecuted portion will be displayed in NYSE Arca Book at the cross price. A Cross Order, Cross and Post Order and orders designated as both a Cross and Post and PNP shall not trade-through any Protected Quotation.

(4) Crosses with the IOC, Midpoint and PNP designations shall not trade-through Protected Quotations.

(5) Intermarket Sweep Cross Orders designated as,

(A) IOC may trade-through Protected Quotations;

(B) PNP Cross and Post may trade-through Protected Quotations, and may lock and cross any quotes, but only if the User has complied with Rule 7.37(e)(3)(C).

(6) If an order representing any portion of a Cross Order must be routed away to more than one Trading Center to interact with Protected Quotations on such markets, multiple limit orders will be routed simultaneously to each applicable Trading Center as Intermarket Sweep Orders designated as Immediate-or-Cancel.

* * *

(v) NOW Order. A Limited Price Order that is to be executed in whole or in part on the Corporation, and the portion not so executed shall be routed pursuant to Rule 7.37(d) only to one or more NOW Recipients for immediate execution as soon as the order is received by the NOW Recipient. Any portion not immediately executed by the NOW Recipient shall be cancelled. If a NOW Order is not marketable when it is submitted to the Corporation, it shall be cancelled. NOW Orders may not be Directed Orders. NOW Orders for ITS Trade-Through Exempt Securities (as defined in Rule 7.37) may be routed and executed at a price that is no more than three cents (\$0.03) away from the NBBO displayed in the Consolidated Quote. The NBBO price protection provision set forth in Rule 7.37 will not apply to NOW Orders in Nasdaq securities. A NOW Order if routed away pursuant to Rule 7.37(d), will be routed to Protected Quotations.

(w) PNP Order (Post No Preference). A limit order to buy or sell that is to be executed in whole or in part on the Corporation, and the portion not so executed is to be ranked in the NYSE Arca Book, without routing any portion of the order to another market center; provided, however, the Corporation shall cancel a PNP Order that would trade-through, lock or cross the ~~NBBO~~ Protected Quotation. ~~except as provided in Rule 7.31(w)(2).~~ A PNP Order and PNP Directed Order marked as an Intermarket Sweep Order may lock and cross and trade-through Manual and Protected Quotations, but only if the User has complied with Rule 7.37(e)(3)(C). A PNP Inside Limit Order shall not lock or cross Manual Quotations. The NBBO price protection provision set forth in Rule 7.37 will not apply to PNP Orders in Nasdaq securities.

(1) PNP Plus. A PNP Order designated as PNP Plus will be automatically re-priced by the Corporation as a penny greater than the Best Protected Bid ~~national best bid~~ (for sell orders) or a penny lower than the ~~national best offer~~ Best Protected Offer (for buy orders) for any or all of the order that remains unexecuted and would otherwise lock or cross the ~~NBBO~~ PBBO should it be displayed in the NYSE Arca Book. The re-priced order will then be posted in the NYSE Arca Book. The PNP Plus order will continue to be re-priced at a penny greater than the ~~national best bid~~ Best Protected Bid (for sell orders) or penny lower than the ~~national best offer~~ Best Protected Offer (for buy orders) and re-posted in the NYSE Arca Book, with each change in the ~~PBBO~~ NBBO until such time as the PBBO ~~NBBO~~ has moved to a price where the original price of the PNP Order no longer would result in a locked or crossed market, at which time the PNP Order will revert to the original price of such order. PNP Orders designated as PNP Plus shall be ranked in the NYSE Arca Book pursuant to Rule 7.36 and assigned a new price time priority as of the time of each reposting.

(2) PNP Orders for ITS Trade-Through Exempt Securities (as defined in Rule 7.37). PNP Orders for ITS Trade-Through Exempt Securities will not be canceled at the time of order entry if such orders would lock or cross the NBBO. Such orders will be ranked in the Arca Book in price, time priority with an undisplayed price and size until: (i) such orders are executed; or (ii) such orders no longer lock or cross the NBBO at which time they would be displayed in the Arca Book and ranked based upon original price and the original order entry time. The lock and cross restrictions set forth in this rule will only apply to bids or offers included in the NBBO that are

for greater than 100 shares pursuant to Rule 7.56(d)(2)(E). PNP Orders in ITS Trade-Through Exempt Securities may be executed at a price no more than three cents (\$0.03) away from the NBBO. All PNP Orders whether displayed or undisplayed will execute in price, time priority.

* * *

(y) Midpoint Cross Order. A Cross Order that is priced at the midpoint of the ~~PBBONBBO~~. The Corporation will reject a Cross Order designated for midpoint pricing when a locked or crossed market of Protected Quotations exists in that security.

(z) Midpoint Directed Fill. A Directed Fill that is priced at the midpoint of the ~~PBBONBBO~~. When a locked or crossed market of the PBBO exists in the security, the inbound Directed Order will bypass the Directed Order Process and immediately enter the Display Order Process for execution pursuant to Rule 7.37(b).

(aa) Immediate-or-Cancel ("IOC") Cross Order. An IOC Cross Order is an order that is to be executed in its entirety as a cross transaction as soon as such order is received; provided, however, the Corporation will cancel an IOC Cross Order at the time of order entry if:

- (1) the cross price locks or crosses the BBO; or
- (2) the cross price would cause an execution at a price that trades through the ~~PBBONBBO~~ except as provided in Rule 7.37; or
- (3) the cross price is between the BBO and does not improve the BBO by the ~~MPH~~ minimum price increments pursuant to Rule 7.6(a), Commentary .06.

(bb) PNP (Post No Preference) Cross Order. A Cross Order that is to be executed in whole or in part on the Corporation and the portion not so executed is to be canceled,

without routing any portion of the Cross Order to another market center. When the cross price is equal to or better than the ~~PBBONBBO~~ and is at the BBO, the relevant portion of the PNP Cross Order will be matched first against displayed orders with priority in the NYSE Arca Book, and then the remainder of the PNP Cross Order will be matched. Any unexecuted portion of the PNP Cross will be canceled, unless the PNP Cross Order has been designated as a Cross and Post, as defined in Rule 7.31(ff), in which case any unexecuted portion will be displayed in the NYSE Arca Book at the cross price. The Corporation will cancel either the entire PNP Cross Order at the time of order entry, or the unexecuted portion of a PNP Cross Order (whether or not it has been designated as a Cross and Post) at any time during the order execution process, whichever is applicable, if:

- (1) the cross price would cause an execution at a price that trades-through the ~~PBBONBBO~~, except as provided in Rule 7.37;
- (2) the cross price is between the BBO and does not improve the BBO by the ~~MPH~~ minimum price increments pursuant to Rule 7.6.(a), ~~Commentary .06~~.

* * *

(ff) Cross-and-Post Order. A Cross Order or PNP Cross Order that is to be executed in whole or in part on the Corporation where any unexecuted portion of the Cross-and-Post Order will be displayed in the NYSE Arca Book at the cross price.

The Corporation will cancel the Cross-and-Post Order at the time of order entry, if:

- (1) the cross price would cause an execution at a price that trades-through the ~~PBBONBBO~~; or

(2) the cross price is between the BBO and does not improve the BBO by the ~~MPI~~
minimum price increments pursuant to Rule 7.6.(a), Commentary .06.

(gg) No Change

(hh) No Change

(ii) No Change

(jj) Intermarket Sweep Order (“ISO”). An ISO means a limit order for an NMS stock that meets the requirements of Rule 600(b)(30) of Regulation NMS under the Securities Exchange Act. Any inbound order received over NMS Linkage will constitute an Intermarket Sweep Order. Users shall be responsible for compliance with SEC Rule 611 of Regulation NMS and NYSE Arca Rule 7.37(e) with respect to Intermarket Sweep Orders.

* * *

Rule 7.35. Auctions

(a) No Change

(b) No Change

(c) No Change

(d) No Change

(e) No Change

(f) No Change

(g) No Change

(h) For purposes of Rule 611(b)(3) of Regulation NMS, orders executed pursuant to the Opening Auction, Closing Auction, Market Open Auction and Halt Auction may trade-through any other Trading Center Manual or Protected Quotations if the

transaction that constituted the trade-through was a single-priced opening, reopening, or closing transaction by the trading center.

* * *

Rule 7.37.

Order Execution

Subject to the restrictions on short sales under Rule 10a-1 under the Exchange Act, like-priced orders, bids and offers shall be matched for execution by following Steps 1 through 5 in this Rule; provided, however, for an execution to occur in any Order Process, the price must be equal to or better than (1) the ~~PBBONBBO~~, in the case of a Limit Order or a Q Order or (2) the NBBO, in the case of an Inside Limit Order, a Pegged Limit Order or a Market Order ~~unless the NYSE Arca Marketplace has routed orders to away markets at the NBBO, where applicable~~. If such an order is not executable within those parameters, it may be routed to away markets as provided in paragraph (d) of this rule (however, a User may submit a ~~NOW Order or~~ Primary Only Order that may be routed to an away market without consideration of the NBBO). This rule will not apply to designated order types including IOC, NOW, PNP, Passive Discretionary, Discretion Limit (except for exchange-listed securities), IOC Cross and PNP Cross orders in Nasdaq securities or securities that are subject to an exemption from the Commission under SEC Rule 11Aa3-2(f) to the trade-through provisions of the ITS Plan ("ITS Trade-Through Exempt Securities"). Orders in ITS Trade-Through Exempt Securities will be affected at a price no more than three cents (\$0.03) away from the best bid and offer quoted in CQS. Orders in Nasdaq securities designated as IOC, NOW, PNP, Passive Discretionary, Discretion Limit, IOC Cross and PNP Cross orders will be effected at a

price no worse than the BBO pursuant to Rule 7.36 and the applicable provisions in this Rule.

(a) No change

(1) – (4) No change

(b) No change.

(1) No change

(2) No change

(A) No change

(i) No Change

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

(iii) No change

(iv) Determination of a Passive Discretionary Order's Execution Price.

(a) ~~For Nasdaq Securities, if~~ If the BBO is outside the ~~PBB~~PBBO and a Passive Discretionary Order(s) within the Working Order Process has a discretionary price worse than the ~~PBB~~PBBO, then the incoming order will execute against such Passive Discretionary Order(s) at the price of the incoming order or the displayed price of the Discretionary Order(s), whichever is better.

~~(b) For Nasdaq Securities, if~~ If the BBO is outside the ~~PBBONBBO~~ and a Passive Discretionary Order(s) within the Working Order Process has a discretionary price equal to or better than the ~~PBBONBBO~~, then the incoming order will execute against such Passive Discretionary Order(s) pursuant to subsection (2)(A)(ii) above.

(c) For ITS Trade-Through Exempt Securities (as defined in Rule 7.37), if the BBO is outside the ~~PBBONBBO~~ and a Passive Discretionary Order(s) within the Working Order Process has a discretionary price worse than the ~~PBBONBBO~~ by three cents (\$0.03) or less, the incoming order will execute against such Passive Discretionary Order(s) at the price of the incoming order or the displayed price of the Discretionary Orders(s), whichever is better.

(v) No change

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

(i) – (ii) No change

(iii) If the incoming order is an ISO, then the order will be executed against Discretionary Orders in the Working Order Process that have discretionary prices that would satisfy the ISO's limit price without regard to whether the transaction would occur at a price outside the Protected Quotation.

(C) With the exception of Passive Discretionary Orders, ~~and Discretion Limit Orders,~~ if any change in ~~the~~ any Protected Quotation or NBBO (as applicable) or other available away trading interest would cause a potential match between the

away order and an order in the Working Order Process, ~~a commitment to trade shall be sent~~ an order shall be routed to that market center or market participant pursuant to Step 5 below after having proceeded through Step 4.

~~(i) Passive Discretionary Orders will be routed away only if the displayed price is marketable against an away market participant.~~

~~(ii) Discretion Limit Orders will be routed away only if the displayed share size of the Discretion Limit Order is equal to or less than the displayed share size of the away market participant.~~

(c) Step 4: Tracking Order Process. During Core Trading Hours only, orders may be matched and executed in the Tracking Order Process as follows: If an order has not been executed in its entirety pursuant to paragraphs (a) and (b) of this Rule, the NYSE Arca Marketplace shall match and execute any remaining part of the order in the Tracking Order Process in price/time priority; provided, however, any portion of an order received from another market center or market participant shall be cancelled immediately, and further provided that if an incoming order is designated as ISO, the order will not interact with the tracking process.

* * *

(d) Step 5: Routing Away.

(1) If an order has not been executed in its entirety pursuant to paragraphs (a) through (c) of this Rule and it has been designated as a Fill-or-Return Order, Fill-or-Return Plus Order, ~~or~~ PNP Order (except PNP Cross and Post Orders), Immediate-or-Cancel Order, Mid-Point Passive Liquidity Order or Intermarket Sweep Order, the order shall be cancelled, without routing the order to another market center or market participant.

(2) If an order has not been executed in its entirety pursuant to paragraphs (a) through (c) of this Rule and it has not been designated as a Fill-or-Return Order, Fill-or-Return Plus Order, ~~or~~ PNP Order (except PNP Cross and Post Orders), Immediate-or-Cancel Order, Mid-Point Passive Liquidity Order, or Intermarket Sweep Order, the order shall be routed for execution as follows:

(A) if the order is designated as a Market, Inside Limit, or Pegged Order, the Exchange shall utilize all available quotes in the routing determination, or;

(B) if the order designation is as a Limit Order, the Exchange shall utilize available Protected Quotations in the routing determination, or;

(i) any order eligible for routing away ~~The order~~ shall be routed, either in its entirety or as component orders, to another market center or market participant as an Intermarket Sweep ~~limit~~ Order:

(a) for ITS Eligible Listed Securities --equal to the price and no greater than the size of the quote published by the market center or market participant; and

(b) for OTC securities --equal to the price of the quote published by the market center or market participant.

The remaining portion of the order, if any, shall be ranked and displayed in the Arca Book in accordance with the terms of such order under Rule 7.36 and such order shall be eligible for execution under Rule 7.37.

(ii) Based upon a User's instruction, a marketable reserve order may be routed

(1) serially as component orders, such that each component corresponds to the

displayed size, or (2) only once in its entirety, including both the displayed and reserve portions.

(C) ~~(B)~~ The order that is routed away shall remain outside the NYSE Arca Marketplace for a prescribed period of time and may be executed in whole or in part subject to the applicable trading rules of the relevant market center or market participant.

(D) ~~(H)~~ While an order remains outside the NYSE Arca Marketplace, it shall have no time standing, relative to other orders received from Users at the same price which may be executed against the NYSE Arca Book.

(E) ~~(H)~~ Requests from Users to cancel their orders while the order is routed away to another market center or market participant and remains outside the NYSE Arca Marketplace shall be processed, subject to the applicable trading rules of the relevant market center or market participant.

(3) ~~(C)~~ Where an order or portion of an order is routed away and is not executed either in whole or in part at the other market center or market participant (i.e., all attempts at the fill are declined or timed-out), the order shall be ranked and displayed in the NYSE Arca Book in accordance with the terms of such order under Rule 7.36 and such order shall be eligible for execution under Rule 7.37.

(e) Locking or Crossing Quotations in NMS Stocks.

(1) Definitions. For purposes of this Rule, the following definitions shall apply:

(A) The term Crossing Quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the displayed offer for such NMS stock previously disseminated pursuant to an effective national

market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the displayed price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(B) The term Locking Quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that equals the displayed price of a offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of a offer for an NMS stock during regular trading hours at a price that equals the displayed price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

(2) Prohibition. Except for quotations that fall within the provisions of paragraph (3) of this Rule, members of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a Protected Quotation pursuant to an effective national market system plan.

(3) Locked or Crossed Market Exceptions.

(A) The Locking or Crossing Quotation was displayed at a time when the Trading Center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(B) The Locking or Crossing Quotation was displayed at a time when a Protected Bid was higher than a Protected Offer in the NMS stock.

(C) The Locking or Crossing Quotation was an Automated Quotation, and the ETP Holder displaying such Automated Quotation simultaneously routed an ISO to execute against the full displayed size of any locked or crossed Protected Quotation.

(f) Self-Help Exceptions

(1) The self-help exception will apply to any trade-through of a Protected Quotation displayed by a Trading Center that is experiencing a failure, material delay, or malfunction of its systems or equipment. NYSE Arca will disregard another Trading Center's bid and offer if the other Trading Center has repeatedly failed to respond within one second to an incoming IOC order after adjusting for order transmission time. In these instances, Protected Quotations may be bypassed by:

(A) notifying the non-responding Trading Center immediately after (or at the same time as) electing self-help; and

(B) following the published NYSE Arca policies and procedures for electing the self-help exception.

(g) Additional Exceptions

(1) Intermarket Sweep Order Exception. ISOs may trade-through Protected Quotations when NYSE Arca has simultaneously routed an ISO to execute against the full displayed size of that Protected Quotation. NYSE Arca will accept ISO orders to be executed in the NYSE Arca trading system ("NYSE Arca System") against orders at NYSE Arca's Protected Quotation without regard to whether the execution would trade-through another market's Protected Quotation. The NYSE Arca System may also

lock or cross a Protected Quotation if the System has first routed an ISO order to that quotation and all better priced quotations for their full displayed size.

(2) If an ISO is marked as “Immediate-or-Cancel,” any remaining balance in the order would be automatically cancelled. If an ISO is not marked as “Immediate-or-Cancel,” any remaining balance in the order will be displayed by NYSE Arca without regard to whether that display would lock or cross another market center if the User has complied with Rule 7.37(e)(3)(C).

(3) Single-Price Openings, Reopenings, and Closing Transactions. A transaction that constituted the trade-through is excepted from the Order Protection Rule if it was a single-priced opening, reopening, or closing transaction by NYSE Arca. NYSE Arca will conduct a formalized and transparent process for executing orders during reopening after a trading halt that involves the queuing and ultimate execution of multiple orders at a single equilibrium price.

(4) Benchmark Trades. NYSE Arca may execute volume-weighted average price (“VWAP”) orders, as well as other types of orders that are not priced with reference to the quoted price of the NMS stock at the time of execution and for which the material terms were not reasonably available at the time the commitment to execute the order was made. Benchmark Trades may not trade-through the NYSE Arca Book.

(5) Stopped Orders. The exception applies to the execution by NYSE Arca of a stopped order for the account of a customer when the price of the execution of the order was lower (for a buy order) than the Protected Quotation at the time of execution or was higher (for a sell order) than the Protected Quotation at the time of execution. This

exception is contingent upon the customer having agreed to the stop price for each order. Stopped Orders may not trade-through the NYSE Arca Book.

(6) Transactions Other Than “Regular-Way” Contracts. Transactions that are executed other than pursuant to standardized terms and conditions, such as transactions that have extended settlement terms, also are excepted from the Order Protection Rule.

Transactions other than “regular-way” contracts may not trade-through the NYSE Area Book.

(h) Exemptions

(1) Contingent Order Exemption. Transactions Qualifying as “Contingent Trades” may trade-through both Manual and Protected Quotes. Transactions executed under this exemption may not trade-through the NYSE Arca Book.

(2) A “Qualified Contingent Trade” is a transaction consisting of two or more component orders, executed as agent or principal, where:

(A) at least one component order is in an NMS stock;

(B) all components are effected with a product or price contingency that either has been agreed to by the respective counterparties or arranged for by a broker-dealer as principal or agent;

(C) the execution of one component is contingent upon the execution of all other components at or near the same time;

(D) the specific relationship between the component orders (e.g., the spread between the prices of the component orders) is determined at the time the contingent order is placed;

(E) the component orders bear a derivative relationship to one another, represent different classes of shares of the same issuer, or involve the securities of participants in mergers or with intentions to merge that have been announced or since cancelled;

(F) the Exempted NMS Stock Transaction is fully hedged (without regard to any prior existing position) as a result of the other components of the contingent trade;
and

(G) the Exempted NMS Stock Transaction that is part of a contingent trade involves at least 10,000 shares or has a market value of at least \$200,000.

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Rule 7.40. Trade Execution and Reporting

Executions occurring as a result of orders matched against the NYSE Arca Book shall be reported by the Corporation to an appropriate consolidated transaction reporting system. Executions occurring as a result of orders routed away from the NYSE Arca Marketplace shall be reported to an appropriate consolidated transaction reporting system by the relevant reporting market center. The NYSE Arca Marketplace shall promptly notify Users of all executions of their orders as soon as such executions take place. Executions that occur through a Protected Quotation shall be marked with the appropriate designation as defined by the transaction reporting plans.

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