



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**Form 19b-4 Information**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## **Form 19b-4 Information**

### **1. Text of Proposed Rule Change**

- (a) The Chicago Stock Exchange, Incorporated (the “CHX” or the “Exchange”), pursuant to Rule 19b-4 of the Securities Exchange Act of 1934 (the “Act”), proposes to amend its rules to eliminate now-obsolete references to the Intermarket Trading System Plan (“ITS Plan”), the NMS Linkage Plan, the telephonic access requirements of the Nasdaq/UTP Plan and the compliance dates for Rule 611 of Regulation NMS (“Reg NMS”). The text of the proposed rule change is included in Exhibit 5.
- (b) Not applicable.
- (c) Not applicable.

### **2. Procedures of Self-Regulatory Organization**

The Exchange’s Board of Directors unanimously approved these proposed rule changes at a meeting on September 18, 2007.

### **3. Self-Regulatory Organization’s Statement on the Purpose of, and Statutory Basis for, the Proposed Rule Change**

- (a) Purpose

In 2006, the Exchange made a substantial number of changes to its rules in connection with its implementation of a new trading model.<sup>1</sup> At the time these new rules were approved, the Nasdaq/UTP Plan still required participant exchanges to provide NASD market participants with telephonic access to their quotes; the ITS Plan was still in effect and the NMS Linkage Plan had just been approved; and the Trading Phase Date for compliance with Rule 611 of Reg NMS was still several months away. As a result, the Exchange’s rules contained references to these plans and to the way that the Exchange’s rules should operate both before and after the Trading Phase Date for compliance with Rule 611 of Reg NMS.<sup>2</sup>

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<sup>1</sup> See Release 34-54550 (September 29, 2006), 71 FR 59563 (October 10, 2006)(approving CHX’s proposed new trading model).

<sup>2</sup> See, e.g., Article 1, Rule 1(o)(defining the term NBBO both before and after the full implementation of Reg NMS); and Article 19 (containing the ITS rules).

In the ensuing months, however, the ITS Plan has been eliminated; the NMS Linkage Plan has terminated; the compliance date for Rule 611 of Reg NMS has passed; and the access requirements of the Nasdaq/UTP Plan have changed.<sup>3</sup> The Exchange now proposes to update its rules to eliminate all now-outdated references to the ITS and NMS Linkage Plans, to the compliance or effective dates of any provisions of Reg NMS and to the telephonic access requirements of the Nasdaq/UTP Plan.

(b) Statutory Basis

Approval of the rule changes proposed in this submission is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b). The proposed rule change is consistent with Section 6(b)(5) of the Act because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by updating the Exchange's rules to eliminate outdated references to matters that are no longer relevant.

**4. Self-Regulatory Organization's Statement of Burden on Competition**

The Exchange believes that no burden will be placed on competition as a result of the proposed rule changes.

**5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others**

No written comments were solicited or received.

**6. Extension of the Time Period for Commission Action**

The Exchange does not consent to an extension of the time period specified in Section 19(b)(2) of the Act.

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<sup>3</sup> See Release No. 34-55397 (March 5, 2007), 72 FR 11066 (March 12, 2007)(eliminating the ITS Plan); Release No. 34-54551 (September 29, 2006), 71 FR 59148 (October 6, 2006)(approving the NMS Linkage Plan, with a termination date of June 30, 2007); Release No. 34-55160, File No. S7-10-04, 72 FR 4202 (January 30, 2007)(extending the Trading Phase Date for compliance with Rules 610 and 611 from February 5, 2007 to March 5, 2007); and Release No. 34-54936 (December 14, 2006), 71 FR 76381 (December 20, 2006)(approving Amendment No. 18 to the Nasdaq/UTP Plan, which, in general terms, replaced the telephonic access requirements with market access requirements consistent with Rule 610).

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The Exchange has designated the proposed rule change as effective upon filing pursuant to Section 19(b)(3) of the Act and paragraph (f)(6) of Rule 19b-4 thereunder, because the proposed rule change does not significantly affect the protection of investors or the public interest; and does not impose any significant burden on competition. The Exchange has requested that the Commission waive the 30-day operative period otherwise required by Rule 19b-4(f)(6) to allow these changes to take effect immediately to prevent potential confusion caused by reference to matters that are no longer relevant. The Exchange believes that the filing is appropriately designated for immediate effectiveness as a “non-controversial” proposal because it allows the Exchange to eliminate outdated references to matters that are no longer relevant. In accordance with Rule 19b-4(f)(6), the Exchange submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing.

8. **Proposed Rule Change Based on Rule of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not based on the rules of another self-regulatory organization.

9. **Exhibits**

Exhibit 1: The completed notice of the proposed rule change for publication in the Federal Register.

Exhibits 2-4: Not applicable.

Exhibit 5: The proposed rule text.

**Exhibit 1**

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 34-\_\_\_\_; File No. SR-CHX-2007-25)  
SELF-REGULATORY ORGANIZATIONS**

**Proposed Rule Change By The Chicago Stock Exchange, Inc. to Eliminate  
References to the ITS Plan and Other Now-Obsolete Matters**

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), notice is hereby given that on October 16, 2007, the Chicago Stock Exchange, Inc. (the “CHX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CHX. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

Through this filing, the Exchange proposes to amend its rules to eliminate now-obsolete references to the Intermarket Trading System Plan (“ITS Plan”), the NMS Linkage Plan, the telephonic access requirements of the Nasdaq/UTP Plan and the compliance dates for Rule 611 of Regulation NMS (“Reg NMS”). The text of this proposed rule change is available on the Exchange’s website at [http://www.chx.com/rules/proposed\\_rules.htm](http://www.chx.com/rules/proposed_rules.htm) and in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549.

## **II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the CHX included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments it received regarding the proposal. The text of these statements may be examined at the places specified in Item IV below. The CHX has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

### *A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes*

#### 1. Purpose

In 2006, the Exchange made a substantial number of changes to its rules in connection with its implementation of a new trading model.<sup>1</sup> At the time these new rules were approved, the Nasdaq/UTP Plan still required participant exchanges to provide NASD market participants with telephonic access to their quotes; the ITS Plan was still in effect and the NMS Linkage Plan had just been approved; and the Trading Phase Date for compliance with Rule 611 of Reg NMS was still several months away. As a result, the Exchange's rules contained references to these plans and to the way that the Exchange's rules should operate both before and after the Trading Phase Date for compliance with Rule 611 of Reg NMS.<sup>2</sup>

In the ensuing months, however, the ITS Plan has been eliminated; the NMS Linkage Plan has terminated; the compliance date for Rule 611 of Reg NMS has passed;

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<sup>1</sup> See Release 34-54550 (September 29, 2006), 71 FR 59563 (October 10, 2006)(approving CHX's proposed new trading model).

<sup>2</sup> See, e.g., Article 1, Rule 1(o)(defining the term NBBO both before and after the full implementation of Reg NMS); and Article 19 (containing the ITS rules).

and the access requirements of the Nasdaq/UTP Plan have changed.<sup>3</sup> The Exchange now proposes to update its rules to eliminate all now-outdated references to the ITS and NMS Linkage Plans, to the compliance or effective dates of any provisions of Reg NMS and to the telephonic access requirements of the Nasdaq/UTP Plan.

## 2. Statutory Basis

The CHX believes the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that are applicable to a national securities exchange, and, in particular, with the requirements of Section 6(b).<sup>4</sup> The proposed rule change is consistent with Section 6(b)(5) of the Act because it would promote just and equitable principles of trade, remove impediments to, and perfect the mechanism of, a free and open market and a national market system, and, in general, protect investors and the public interest by updating the Exchange's rules to eliminate outdated references to matters that are no longer relevant.

### *B. Self-Regulatory Organization's Statement of Burden on Competition*

The Exchange does not believe that the proposed rule changes will impose any burden on competition.

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<sup>3</sup> See Release No. 34-55397 (March 5, 2007), 72 FR 11066 (March 12, 2007)(eliminating the ITS Plan); Release No. 34-54551 (September 29, 2006), 71 FR 59148 (October 6, 2006)(approving the NMS Linkage Plan, with a termination date of June 30, 2007); Release No. 34-55160, File No. S7-10-04, 72 FR 4202 (January 30, 2007)(extending the Trading Phase Date for compliance with Rules 610 and 611 from February 5, 2007 to March 5, 2007); and Release No. 34-54936 (December 14, 2006), 71 FR 76381 (December 20, 2006)(approving Amendment No. 18 to the Nasdaq/UTP Plan, which, in general terms, replaced the telephonic access requirements with market access requirements consistent with Rule 610).

<sup>4</sup> 15 U.S.C. 78(f)(b).

*C. Self-Regulatory Organization's Statement on Comments Regarding the Proposed Rule Changes Received from Members, Participants or Others*

No written comments were either solicited or received.

**III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action**

Because the foregoing proposed rule change does not:

- (i) significantly affect the protection of investors or the public interest;
- (ii) impose any significant burden on competition; and
- (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate,

it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>5</sup> and Rule 19b-4(f)(6) thereunder.<sup>6</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposal is consistent with the Act.

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f)(6).

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File No. SR-CHX-2007-25 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File No. SR-CHX-2007-25. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule changes between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CHX. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File No. SR-CHX-2007-25 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

Nancy M. Morris  
Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).

**Exhibit 5 to SR-CHX-2007-25**

Additions are underlined; deleted text is [in brackets]

**ARTICLE 1**

**Definitions and General Information**

**Definitions**

RULE 1. Whenever and wherever used in these Rules, unless the context requires otherwise, the following terms shall have the respective meanings ascribed to them below:

\* \* \*

o. "NBBO" means[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq, the size and price associated with the best bid and offer among the markets participating in the ITS Plan. When Reg NMS is implemented for particular issues, "NBBO" shall mean] the size and price associated with the best protected bid and best protected offer that are calculated and disseminated in an NMS security during regular trading hours.

**Order Types and Conditions**

RULE 2. Unless otherwise specifically defined elsewhere in the CHX Rules, the following terms shall have the respective meanings ascribed to them, for purposes of all CHX Rules. Additional information about order types and conditions can be found in Article 20.

a.-d. No change to text.

e. "Cross": an order to buy and sell the same security at a specific price better than the best bid and offer displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. A cross order may represent interest of one or more Participants of the Exchange, but may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).

f. "Cross with satisfy": an order that contains:

(1) No change to text.

(2) an instruction (a) to execute orders already displayed in the Matching System at their limit prices (up to a specified number of shares) against a specified party to the extent necessary to allow the cross transaction to occur and/or (b) to route outbound orders (including[, when Reg NMS is implemented

in a security,] an intermarket sweep order) [or commitments] to other market centers to the extent necessary to prevent an improper trade-through.

\* \* \*

This order type provides a Participant with an efficient mechanism to clear out displayed orders in the Matching System that would otherwise have time or price priority (and/or displayed bids or offers in other market centers that would otherwise have price priority) and then to effect a cross transaction at a particular price. If a cross with satisfy is sent with a share size that is too small to satisfy orders in the Matching System or bids or offers in other markets, as applicable, the order will be automatically cancelled. Once the satisfying execution has occurred (or, for orders [or commitments] sent to other market centers, those orders [or commitments] have been sent), the cross will be executed at a price that is better than the best bid or offer to be displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. A cross with satisfy order may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).

g. "Cross with size": an order to buy and sell at least 5,000 shares of the same security with a total value of at least \$100,000 (A) at a price equal to or better than the best bid or offer displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and, for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO; and (B) where the size of the order is one round lot larger than the aggregate size of all interest displayed in the Matching System at that price; provided, however, that once the Exchange disseminates a feed of all displayable orders in the Matching System, the size of the order must only be larger than the largest order displayed in the Matching System at that price. The Matching System will execute any type of cross order (except a cross with yield, a non-regular way cross or an ISO cross) as a cross with size if the order meets the requirements for a cross with size. A cross with size may represent interest of one or more Participants of the Exchange. A cross with size order may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).

h. "Cross with yield":

\* \* \*

This order type provides a Participant with an efficient mechanism to execute a cross transaction at a particular price, yielding interest in the order to orders displayed in the Matching System that would otherwise have time or price priority, or, if requested by the Participant, also yielding undisplayed portions of reserve size orders and any undisplayed orders in the Matching System. The cross will be executed at a price that is better than the best bid or offer to be displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. If

requested by the Participant, the cross will be executed at a price that also takes into account any undisplayed portions of reserve size orders and any undisplayed orders. A cross with yield order may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).

i.-y No change to text.

z. "Outbound ISO": an order marked as required by SEC Rule 600(b)(30)(i) that is to be executed at or better than its limit price as soon as the order is received by the Matching System, with any unexecuted balance of the order to be immediately cancelled, coupled with one or more ISO orders designed to execute against any protected bids or offers at other market centers as required by Rule 600(b)(30)(ii). Orders marked outbound ISO shall be executed against any eligible orders in the Matching System (including any reserve size or other undisplayed orders). Other than the routing of ISOs to other market centers, no action shall be taken to prevent an improper trade-through. [(This provision shall become effective on the Trading Phase Date of Rule 611 of Reg NMS).]

aa. "Price-penetrating ISO": an order marked as required by SEC Rule 600(b)(30) that is to be executed at or better than its limit price as soon as the order is received by the Matching System, with any unexecuted balance of the order to be immediately cancelled. Orders marked as price-penetrating ISO shall be executed against any eligible orders in the Matching System (including any reserve size or other undisplayed orders, through multiple price points). The Matching System, in executing these orders, shall not take any of the actions described in Rule 5 to prevent an improper trade-through. [(This provision shall become effective on the Trading Phase Date of Rule 611 of Reg NMS)]

**ARTICLE 8**

**Business Conduct**

**Conduct on Exchange Premises And Conduct  
Involving Participants or Exchange Employees**

RULE 16. No Participant shall engage in the following conduct while on Exchange premises, while transacting business on the Exchange or with respect to Exchange employees who are conducting Exchange business:

(a)-(c) No change to text.

[(d) Indecorous, inappropriate or unnecessary repetitive administrative/execution messages sent over the Intermarket Trading System; or]

(d[e]) No change to text.

\* \* \*

**ARTICLE 9**

**General Trading Rules**

**Application**

RULE 1. Unless expressly stated otherwise, the provisions of Article 9 shall govern all trading activity conducted on the Exchange. For purposes of this Article 9, a Participant who issues an order[, commitment] or other obligation to trade from the Exchange to another market center[, through ITS or any other linkage,] shall be deemed to be initiating a purchase or a sale of a security on the Exchange.

\* \* \*

**Permitted Contra Parties**

RULE 3. No transaction in any security admitted to dealings on the Exchange shall be made on the Exchange except with a Participant.

***[••• Interpretations and Policies: ]***

[.01 Nothing in this rule shall be construed to prohibit the acceptance or execution of an order, commitment or other obligation to trade from another market center, delivered through ITS or any other approved linkage.]

\* \* \*

**Personal Selling and Purchasing Prohibited**

RULE 17. No change to text.

***••• Interpretations and Policies:***

.01-.03 No change to text.

.04 A Participant that issues an order[, commitment ]or obligation to trade from the Exchange to another market center[, through ITS, any other approved linkage or otherwise,] is initiating a purchase or sale of a security as that term is used in this Rule.

**ARTICLE 19**

**Reserved for Future Use**

*(Entire Article is deleted)*

**ARTICLE 20**

**Operation of the CHX Matching System**

**Trading Sessions**

RULE 1.

a.-b. No change to text.

c. Limitations on trading. Trading on the Exchange shall be limited to the days and hours during which the Exchange is open for the transaction of business. No Participant shall make any bid, offer or transaction on the Exchange[, issue a commitment to trade through ITS or any other linkage plan using the facilities of the Exchange, or send an order in a Nasdaq security for execution through the telephonic process set out in the OTC/UTP Plan to a Nasdaq system market maker] before or after these hours, except that [a Participant may receive pre-opening notifications pursuant to the provisions of the ITS Plan relating to the Pre-Opening Application of the System or any similar provisions of any other linkage plan, before the official opening of the Exchange and] loans of money or securities may be made outside of those hours.

\* \* \*

**Eligible Orders**

RULE 4.

a. Basic requirements. Except as provided in subparagraph (7), below, all orders sent to the Matching System during the regular trading session must meet the following requirements and shall be automatically rejected if they do not meet these requirements:

(1)-(6) No change to text.

(7) Exceptions.

(a)-(c) No change to text.

[(d) Orders in securities listed on the NYSE, Amex and any exchange other than Nasdaq shall not be accepted in increments smaller than \$.01 until the Reg NMS Linkage Plan has been enabled to permit the routing of subpenny orders.]

\* \* \*

b. Order types and indications. The Matching System shall only accept the following order types or orders with the following indications:

\* \* \*

(4) "Cross": an order to buy and sell the same security at a specific price better than the best bid and offer displayed in the Matching System on the Exchange and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. A cross order may represent interest of one or more Participants of the Exchange, but may only be executed in an increment permitted by Rule 4(a)(7)(b).

(5) "Cross with satisfy": An order that contains:

(A) an instruction to execute a cross transaction at a specific price; and

(B) an instruction (i) to execute orders already displayed in the Matching System at their limit prices (up to a specified number of shares) against a specified party to the extent necessary to allow the cross transaction to occur and/or (ii) to route outbound orders (including[, when Reg NMS is implemented in a security,] an intermarket sweep order)[ or commitments] to other market centers to the extent necessary to prevent an improper trade-through.

\* \* \*

This order type provides a Participant with an efficient mechanism to clear out displayed orders in the Matching System that would otherwise have time or price priority (and/or displayed bids or offers in other market centers that would otherwise have price priority) and then to effect a cross transaction at a particular price. If a cross with satisfy is sent with a share size that is too small to satisfy orders in the Matching System or bids or offers in other markets, as applicable, the order will be automatically cancelled. Once the satisfying execution has occurred (or, for orders [or commitments] sent to other market centers, those orders [or commitments] have been sent), the cross will be executed at a price that is better than the best bid or offer to be displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. A cross with satisfy order may only be executed in an increment permitted by Rule 4(a)(7)(b).

(6) "Cross with size": an order to buy and sell at least 5,000 shares of the same security with a total value of at least \$100,000 (A) at a price equal to or better than the best bid or offer displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and,

for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO; and (B) where the size of the order is one round lot larger than the aggregate size of all interest displayed in the Matching System at that price; provided, however, that once the Exchange disseminates a feed of all displayable orders in the Matching System, the size of the order must only be larger than the largest order displayed in the Matching System at that price. The Matching System will execute any type of cross order (except a cross with yield, a non-regular way cross or an ISO cross) as a cross with size if the order meets the requirements for a cross with size. A cross with size may represent interest of one or more Participants of the Exchange. A cross with size order may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).

(7) "Cross with yield":

\* \* \*

This order type provides a Participant with an efficient mechanism to execute a cross transaction at a particular price, yielding interest in the order to orders displayed in the Matching System that would otherwise have time or price priority, or, if requested by the Participant, also yielding to undisplayed portions of reserve size orders and any undisplayed orders in the Matching System. The cross will be executed at a price that is better than the best bid or offer to be displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. If requested by the Participant, the cross will be executed at a price that also takes into account any undisplayed portions of reserve size orders and any undisplayed orders. A cross with yield order may only be executed in an increment permitted by Article 20, Rule 4(a)(7)(b).

\* \* \*

### **Prevention of Trade-throughs**

#### **RULE 5.**

a. An inbound order for at least a round lot is not eligible for execution on the Exchange if its execution [would cause an improper trade-through of another ITS market or, when Reg NMS is implemented for a security, if its execution] would be improper under Rule 611 (but not including the exception set out in Rule 611(b)(8)) ([together] an "improper trade-through"). As described in Interpretation and Policy .03, if the execution of all or part of an inbound order for a least a round lot on the Exchange would cause an improper trade-through, that order (or the portion of that order that would cause a trade-through) shall be routed to another appropriate market or, if designated as "do not route," automatically cancelled; provided, however, that if an undisplayed order

is resting in the Matching System and the execution of an inbound round lot order (that is not an IOC or FOK order) against the undisplayed resting order would cause an improper trade-through, the resting order shall be cancelled to the extent necessary to allow the inbound order to be executed or quoted.

b. No change to text.

••• *Interpretations and Policies:*

.01 Trade-through policies and procedures. In determining whether a trade on the Exchange would create an improper trade-through, the Exchange will adhere to [the terms of the ITS Plan (so long as it is in effect and is applicable to the Exchange) and] the applicable provisions of Reg NMS [(when it takes effect)], as well as to the following policies and procedures:

\* \* \*

b. Manual quotations of other markets. The Matching System shall disregard another market's bid or offer if it is identified by the other market as a manual quotation. [(This provision shall become effective on the Trading Phase Date of Rule 611 of Reg NMS). ]

[c. Self-help exception (Pre-Reg NMS). The Exchange will disregard a market center's bid and offer if the Exchange has a reasonable basis to believe that the market center is experiencing systems problems that impact its ability to disseminate bids and offers that accurately reflect the current state of its market.]

c[d]. No change to text.

d[e]. Crossed market exception. Trades shall continue to be executed in the Matching System when the NBBO is crossed; provided however, that [(i) if the ITS Plan requires that the inbound order be routed to another market for execution, the Matching System will route the order to the destination selected by the Participant or, if the order is marked "do not route," the Matching System will automatically cancel the order; and (ii) once Reg NMS is implemented in a security,] the Matching System shall only execute orders in that security up to (but not beyond) the first uncrossed NBBO. If a trade is executed in the Matching System while the NBBO is crossed, the Matching System will automatically attach an appropriate modifier to the trade before it is publicly reported.

e[f]. No change to text.

f[g]. No change to text.

g[h]. No change to text.

h[i]. No change to text.

.03 No change to text.

a. Cross with satisfy/outbound ISO. If a Participant has submitted a cross with satisfy or an outbound ISO and its execution would cause an improper trade-through, the Matching System shall execute that order and simultaneously route orders[ or commitments] necessary to satisfy the bids or offers of other markets. The Exchange's systems will determine when, how and where these orders [(or commitments)] should be routed. These orders will be routed[, at the Participant's election, either through the NMS Linkage System (or any later linkage that supersedes the NMS Linkage System) or] through the connectivity provided by a routing services provider with whom the Exchange has negotiated an access agreement.

\* \* \*

### **Locked and Crossed Markets**

#### **RULE 6.**

a.-c. No change to text.

d. Matching System operation. Except as permitted in paragraph (c) above, an order is not eligible for display on the Exchange if its display [would improperly lock or cross the ITS best bid or offer, or, when Reg NMS is implemented for a security, if its display] would lock or cross a protected quotation. These orders shall be routed, pursuant to the provisions of Rule 5, Interpretation .03 above, to another destination of the Participant's choice or, if designated as "do not route," automatically cancelled.

\* \* \*

### **Clearing the Matching System**

#### **RULE 7.**

a.-b. No change to text.

c. [ITS commitments. Any outbound ITS commitments that are seeking liquidity in another market - whether they represent agency or proprietary interest - must first clear the displayed and undisplayed orders in the Exchange's Matching System before being sent through the ITS System.] Outbound [ITS commitments (or) ISOs[]] that are being sent to another market to satisfy its displayed bid or offer[, however,] are not required to clear the Exchange's Matching System before being sent to the other market.

\* \* \*

### Operation of the Matching System

RULE 8. The Exchange's Matching System shall operate in the following manner:

\* \* \*

a. Routing of orders. [Orders shall be routed to the Matching System using one of the following methods:]

[1.] Participants may route orders to the Matching System through any communications line approved by the Exchange.

[2. ITS commitments for ITS-eligible securities traded on the Exchange shall be sent to the Matching System through the ITS system. If the Exchange participates in any other linkage plan, orders may be sent to the Matching System through the linkage.]

[3. To the extent required by the OTC/UTP Plan, NASD market participants shall have direct telephonic access to the supervisory center for the Exchange's Matching System to enter orders into the Matching System for the securities in which those NASD market participants are registered with NASD as market makers or as electronic communications networks/alternative trading systems.]

\* \* \*

e. Execution of certain orders and order types. The following orders shall be executed within the Matching System as set out below:

1.-3. No change to text.

4. Cross with satisfy orders.

\* \* \*

If the order meets this requirement, the Matching System then shall satisfy existing orders in the Matching System or send orders [or commitments] to other market centers to satisfy bids or offers, as necessary to prevent a trade-through and, before updating the Exchange's quotes, will execute the cross at a price that is better than the best bid or offer to be displayed in the Matching System and[, for securities listed on the NYSE, Amex or any other exchange except Nasdaq (and for Nasdaq-listed securities, when Reg NMS is implemented in those issues),] equal to or better than the NBBO. In doing so, the Matching System shall determine whether the Participant that sent the order to the Matching System is

attempting to satisfy existing bids or offers in the Matching System at a price that is better than the cross price and, if so, will not allow those executions to occur, but will instead allocate the better prices to the customer, not to the Participant sending the order to the Matching System.

5-6. No change to text.

[7. An inbound ITS commitment or linkage plan order, if it is priced at or better than the current Exchange-displayed BBO (or if it is marked "market"), shall be automatically matched, in round-lot increments, against the order(s) at the price reflected in the BBO (or at a better undisplayed price), for the full amount of round-lot shares available at that price, and any remaining portion of the ITS commitment or linkage plan order shall be automatically cancelled. An inbound ITS commitment marked as a "block" trade shall be automatically matched, in round-lot increments, at the price reflected in the ITS commitment, against the order(s) in the Matching System, in regular price-time priority. ]

\* \* \*