Proposed Rule Change by NASDAQ OMX PHLX LLC.

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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Pilot Extension of Time Period for Commission Action * Date Expires *

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Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Proprietary Traders Qualification Examination ("Series 56")

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Edith

Last Name * Hallahan

Title * Principal Associate General Counsel

E-mail * Edith.hallahan@nasdaqomx.com

Telephone * (215) 496-5179

Fax

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 03/21/2012

By Edward S. Knight

Executive Vice President and General Counsel

(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.
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.
1. **Text of Proposed Rule Change**

   (a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² NASDAQ OMX PHLX LLC (“Exchange” or “Phlx”) is filing with the Securities and Exchange Commission (“Commission”) the content outline and selection specifications for the Proprietary Traders Qualification Examination (“Series 56”) program. Phlx will implement the proposal upon notice to its membership.

   A notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1. The Study Outline for the Series 56 Examination is attached hereto as Exhibit 3a. The selection specifications for the Series 56 Examination are being submitted separately with a request for confidential treatment pursuant to Rule 24b-2 under the Act.³

   (b) The proposed rule change will have an effect on the application of proposed Rule 613, Categories of Representative Registration.


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

   The proposed rule change was approved by the Board of Directors of Phlx on June 3, 2011. No further action is required to be taken for this filing to be submitted. Questions regarding this rule filing may be directed to Edith Hallahan at (215) 496-5179.

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

a. Purpose

Recently, Phlx filed a proposed rule change to recognize a new category of limited representative registration for proprietary traders.\(^4\) Specifically, Phlx will recognize the new registration category “Proprietary Trader” and the new examination, the Series 56. The new Proprietary Trader category would be limited to persons engaged solely in proprietary trading, market making or effecting transactions on behalf of a broker-dealer account.

The Exchange has been working with the Financial Industry Regulatory Authority (“FINRA”) and certain other markets, many of which have recently enhanced their registration requirements to require the registration of associated persons,\(^5\) to develop the content outline and qualification examination that would be applicable to proprietary traders. The Series 56 examination program is shared by Phlx and the following: Boston Options Exchange; C2 Options Exchange, Incorporated; Chicago Board Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; International Securities Exchange, LLC; The NASDAQ Stock Market LLC; National Stock Exchange, Inc.; New York Stock Exchange LLC; NYSE AMEX LLC; and NYSE ARCA, Inc. FINRA staff convened a committee of industry representatives and staff of the various markets to develop the criteria for the Series 56 examination program.


The Series 56 examination tests a candidate’s knowledge of proprietary trading generally and the industry rules applicable to trading of equity securities and listed options contracts. The Series 56 examination covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. While the examination is primarily dedicated to topics related to proprietary trading, the Series 56 examination also covers a few general concepts relating to customers.6

The qualification examination consists of 100 multiple choice questions. Candidates will have 150 minutes to complete the exam. The content outline describes the following topical sections comprising the examination: Personnel, Business Conduct and Recordkeeping and Reporting Requirements, 9 questions; Markets, Market Participants, Exchanges, and Self-Regulatory Organizations, 8 questions; Types and Characteristics of Securities and Investments, 20 questions; Trading Practices and Prohibited Acts, 50 questions; and Display, Execution, and Trading Systems, 13 questions. Representatives from the applicable markets intend to meet on a periodic basis to evaluate and, as necessary, update the Series 56 examination program.

The Exchange understands that the other applicable markets will also file with the Commission similar filings regarding the Series 56 examination program. The Exchange proposes to implement the Series 56 examination program upon availability in WebCRD, notification to its membership and approval of SR-Phlx-2012-23.

6 Proprietary trading firms do not have customers.
b. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^7\) in general, and furthers the objectives of Section 6(c)(3)(B) of the Act\(^8\) pursuant to which a national securities exchange prescribes standards of training, experience and competence for members and their associated persons, in particular, by offering a new qualification examination for proprietary traders. This filing provides the content outline and relevant specifications for the Series 56 examination program, which should help ensure that all associated persons engaged in a securities business are, and will continue to be, properly trained and qualified to perform their functions.

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

Phlx does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

Not applicable.

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

Pursuant to Section 19(b)(3)(A) of the Act\(^9\) and Rule 19b-4(f)(6)\(^10\) thereunder,

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\(^7\) 15 U.S.C. 78f(b).


the Exchange has designated this proposal as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. The proposal is not controversial, because the Series 56 exam has been adopted for use by other exchanges and reflects a collaborative effort to adopt an appropriate qualification examination for a new registration category.

Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement. Furthermore, a proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act\(^\text{11}\) normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)\(^\text{12}\) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange requests a waiver of the 30 day operative delay in order to make the examination available as soon as possible to coincide with the approval of SR-Phlx-2012-23.


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

The proposed rule change is based on SR-CBOE-2011-056,\(^\text{13}\) as well as SR-BX-2011-052, SR-NASDAQ-2011-108 and SR-NYSEAMEX-2012-013.\(^\text{14}\)

9. Exhibits

1. Completed notice of proposed rule change for publication in the Federal Register.

3a. Study Outline for the Series 56 Examination.

3b. Phlx has requested confidential treatment for Exhibit 3b, which contains selection specifications for the Series 56 Examination: thus, these have been omitted from this filing and they have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.\(^\text{15}\)


\(^{15}\) 17 CFR 240.24b-2.
Exhibit 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. ; File No. SR-Phlx-2012-37)

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by NASDAQ OMX PHLX LLC Relating to the Proprietary Traders Qualification Examination (“Series 56”)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)\(^1\), and Rule 19b-4\(^2\) thereunder, notice is hereby given that on March 21, 2012, NASDAQ OMX PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. 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**

The Exchange is filing with the Securities and Exchange Commission (“Commission”) the content outline and selection specifications for the Proprietary Traders Qualification Examination ("Series 56") program. Phlx will implement the proposal upon notice to its membership.


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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 Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange 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 Change

1. Purpose

Recently, Phlx filed a proposed rule change to recognize a new category of limited representative registration for proprietary traders.\(^3\) Specifically, Phlx will recognize the new registration category “Proprietary Trader” and the new examination, the Series 56. The new Proprietary Trader category would be limited to persons engaged solely in proprietary trading, market making or effecting transactions on behalf of a broker-dealer account.

The Exchange has been working with the Financial Industry Regulatory Authority (‘‘FINRA’’) and certain other markets, many of which have recently enhanced their registration requirements to require the registration of associated persons,\(^4\) to develop the content outline and qualification examination that would be applicable to proprietary traders. The Series 56 examination program is shared by Phlx and the following: Boston


Options Exchange; C2 Options Exchange, Incorporated; Chicago Board Options Exchange, Incorporated; Chicago Stock Exchange, Inc.; International Securities Exchange, LLC; The NASDAQ Stock Market LLC; National Stock Exchange, Inc.; New York Stock Exchange LLC; NYSE AMEX LLC; and NYSE ARCA, Inc. FINRA staff convened a committee of industry representatives and staff of the various markets to develop the criteria for the Series 56 examination program.

The Series 56 examination tests a candidate’s knowledge of proprietary trading generally and the industry rules applicable to trading of equity securities and listed options contracts. The Series 56 examination covers, among other things, recordkeeping and recording requirements, types and characteristics of securities and investments, trading practices and display execution and trading systems. While the examination is primarily dedicated to topics related to proprietary trading, the Series 56 examination also covers a few general concepts relating to customers.5

The qualification examination consists of 100 multiple choice questions. Candidates will have 150 minutes to complete the exam. The content outline describes the following topical sections comprising the examination: Personnel, Business Conduct and Recordkeeping and Reporting Requirements, 9 questions; Markets, Market Participants, Exchanges, and Self-Regulatory Organizations, 8 questions; Types and Characteristics of Securities and Investments, 20 questions; Trading Practices and Prohibited Acts, 50 questions; and Display, Execution, and Trading Systems, 13 questions. Representatives from the applicable markets intend to meet on a periodic basis to evaluate and, as necessary, update the Series 56 examination program.

5 Proprietary trading firms do not have customers.
The Exchange understands that the other applicable markets will also file with the Commission similar filings regarding the Series 56 examination program. The Exchange proposes to implement the Series 56 examination program upon availability in WebCRD, notification to its membership and approval of SR-Phlx-2012-23.

2. **Statutory Basis**

The Exchange believes that its proposal is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(c)(3)(B) of the Act,\(^7\) pursuant to which a national securities exchange prescribes standards of training, experience and competence for members and their associated persons, in particular, by offering a new qualification examination for proprietary traders. This filing provides the content outline and relevant specifications for the Series 56 examination program, which should help ensure that all associated persons engaged in a securities business are, and will continue to be, properly trained and qualified to perform their functions.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

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

No written comments were either solicited or received.

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III. Date of Effectiveness of the Proposed Rule Change 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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

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9 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.
Electronic comments:

- Use the Commission’s Internet comment form
  (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-Phlx-2012-37 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

  All submissions should refer to File Number SR-Phlx-2012-37. 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 change 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 website viewing and printing in the Commission’s Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange.

  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 Number SR-Phlx-2012-37 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.10

Kevin M. O’Neill
Deputy Secretary

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Proprietary Traders
Qualification Examination
Content Outline
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Introduction

The Proprietary Traders Qualification Examination (Series 56) is designed to test a candidate’s knowledge of applicable products, securities markets, trading and reporting practices, investment strategies, and anti-fraud provisions as applicable to the role of a proprietary trader.

Study Outline

The Series 56 examination study outline is intended to be used as a reference for those individuals wishing to sit for the exam. The questions on the exam are derived from the information topics presented within this document, and are not rule specific with regards to one exchange or SRO organization. The rules and regulations listed in this outline are for reference purposes only. The examination is divided into five general areas, which are listed below, along with the corresponding number of points from each area.

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<td>Display, Execution, and Trading Systems</td>
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Structure of the Examination

The examination is composed of 100 multiple-choice questions covering the materials in the following outline in accordance with the subject-matter distribution listed above. Candidates will be allowed 2 1/2 hours to complete the examination. At the completion of the examination, each candidate will receive an informational breakdown of their performance on each section and their overall score. The examination is a closed-book test and candidates will not be permitted to use any reference material during their testing session. Scratch paper and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification examinations.

To ensure that new questions meet acceptable testing standards prior to use, each examination includes 5 additional, unidentified "pre-test" questions that do not contribute towards the candidate's score. The 5 questions are randomly distributed throughout the examination. Therefore, each candidate takes a total of 105 questions, of which 100 questions are scored.
Application Procedures

A candidate’s employing firm must file a Uniform Application for Securities Industry Registration or Transfer (“Form U-4”) in the Central Registration Depository (Web CRD), and request the Series 56 examination on the Form U-4. In addition, there may also be SRO specific registration requirements that would need to be met before an individual may become fully registered as a proprietary trader.
1.0 Personnel, Business Conduct, and Recordkeeping and Reporting Requirements

- Understand SRO registration and continuing education requirements
- Understand the requirements to amend Forms U-4 and U-5
- Understand to rules regarding gifts and gratuities
- Understand SRO filing requirements

1.1 Hiring, Qualifications and Continuing Education

1.1.1 Qualification and Registration Requirements

1.1.1.1 Registered Personnel

Persons required to be registered
Terminations
Form U-4
Form U-5
Requirements to amend forms
Fingerprinting

BOX Trading Rules
Chapter XI, Section 3 — Registration of representatives
Chapter XI, Section 4 — Termination of registered persons
Chapter XI, Section 8(b) — Branch offices
Chapter XI, Section 10 — Supervision of accounts

CBOE Rules
Rule 3.6A — Qualification and registration of trading permit holders and associated persons

C2 Rules
Rule 3.4 — Qualification and registration

CHX Rules
Article 6, Rule 2 — Registration and termination
Article 6, Rule 3 — Training and examination of registrants
Article 6, Rule 4 — Employment of registered person
Article 6, Rule 5 — Supervision of registered persons and branch and resident offices

ISE Rules
Rule 313 — Registration requirements
Rule 602 — Registration of representatives
Rule 603 — Termination of registered persons
Rule 607(b) — Branch offices
Rule 609 — Supervision of accounts

NASDAQ OMX PHLX Rules
Rule 604 — Registration and termination of registered persons
Rule 623 — Fingerprinting
NASDAQ Stock Market Rules
  Rule 1030 — Registration of representatives
  Rule 1031(e) — Notification of termination

NASDAQ OMX BX Rules
  Rule 1030 — Registration of representatives
  Rule 1031(e) — Notification of termination

NASDAQ Options Market Rules
  Chapter XI-Section 3 — Registration of representatives

NSX Rules
  Rule 2.4 — Restrictions interpretations and policies .01 and .02
  Rule 2.5(b) — Application procedures for an ETP holder
  Rule 2.6 — Revocation of an ETP or an associate with an ETP holder

NYSE Amex Rules
  Rule 345 — Employees
  Rule 346 — Limitations
  Rule 347 — Controversies
  Rule 351 — Reporting
  Rule 920 — Registration and examination of options personnel
  Rule 921NY — Registration of market makers
  Rule 921.1NY — Market maker authorized traders
  Rule 922NY — Trading by ATP holders on the floor
  Rule 927NY — Specialists
  Rule 931NY — Registration of floor brokers

NYSE Arca Rules
  Rule 2.23 — Registration
  Rule 6.33 — Registration of market makers
  Rule 6.44 — Registration of floor brokers
  Rule 7.20 — Registration of market makers
  Rule 9.27(a) — Registration of representatives

1.1.1.2 Registration of Proprietary Traders
  Permissible and non-permissible activities
  CBOE Rules
    Rule 3.6A — Qualification and registration of trading permit holders
  C2 Rules
    Rule 3.4 — Qualification and registration
  CHX Rules
    Article 6, Rule 3 — Training and examination of registrants
  ISE Rules
    Rule 313 — Registration requirements
  NSX Rules
    Rule 2.4 — Interpretations and policies .01 and .02 written proficiency examination
NYSE Arca Rules
   Rule 2.4 — Denial of or conditions to ETPs (equities)
   Rule 2.5 — Denial of or conditions to OTPs (options)

1.1.2 Special Registration Review for Disciplinary History

1.1.2.1 Statutory Disqualification
   BOX Trading Rules
      Chapter III, Section 3(d)(iv) & (e) — Denial and conditions to participation
   CHX Rules
      Article 6, Rule 5(e) — Associated persons — Statutory disqualification
      Article 6, Rule 5(f) — Participants and participant firms — Statutory disqualification
   CBOE Rules
      Rule 3.18 — Permit trading holders and associated persons who are or become subject to a statutory disqualification
   C2 Rules
      Rule 3.5 — Permit holders and persons associated with a permit holder who are or become subject to a statutory disqualification
   ISE Rules
      Rule 302(e)(4) & (f) — Denial of and conditions to becoming a member
   NASDAQ OMX PHLX Rules
      Rule 901 — Denial of and conditions to membership
   NASDAQ Stock Market Rules
      Rule 1002(b) — Ineligibility of certain persons for membership or association
   NASDAQ OMX BX
      Rule 1002(b) — Ineligibility of certain persons for membership or association
   NSX Rules
      Rule 2.4(a)(3) — Restrictions
NYSE Amex Rules
Rule 310 — Formation of or admission to member organization or membership owner
Rule 341B — Independent contractors
Rule 342 — Association of members, member organizations, and persons associated with member organizations
Rule 345 — Investigation
Rule 346 — Statutory disqualification
Rule 353 — Amex trading permit requirements
Rule 356 — Member organizations

NYSE Arca Rules
Rule 2.23 — Registration

Securities Exchange Act of 1934
Sec. 3(a)(39) — Definition of “statutory disqualification”

1.1.3 Reporting Requirements
BOX Trading Rules
Chapter III, Section 5 — Disciplinary actions by other organizations
Chapter XI, Section 4(a) — Termination of registered persons
Chapter XI, Section 4(b) — Termination of registered persons

CBOE Rules
Rule 4.9 — Disciplinary actions by other organizations
Rule 9.3(b) — Termination — Filing of U-5s
Rule 9.3(c) — Termination — Filing of amended U-5s

CHX Rules
Article 6, Rule 8 — Disciplinary actions by other organizations
Article 6, Rule 2.02 — Termination of registered persons — U-5 filing

ISE Rules
Rule 409 — Disciplinary action by other organizations
Rule 603(a) — Termination — Reporting of U-5s
Rule 603(b) — Termination — Filing of amended U-5s

NASDAQ OMX PHLX Rules
Rule 604(b) — Registration and termination of registered persons

NASDAQ Stock Market Rules
Rule 1140(e) — U-5 filing requirements
Rule 3070 — Reporting requirements

NASDAQ OMX BX Rules
Rule 1140(d) — U-5 filing requirements
Rule 3070 — Reporting requirements

NYSE Amex Rules
Rule 341, Commentary .09 — Termination of employment — Form U-5 filing
Rule 351 — Reporting
NYSE Arca Rules
Rule 2.17(c) — Termination-filing of an amended U-5

1.1.4 Continuing Education for Registered Persons

1.1.4.1 Regulatory Element

BOX Trading Rules
Chapter XI, Section 5(a) — Regulatory Element
CBOE Rules
Rule 9.3A(a) and (b) — Regulatory Element
CHX Rules
Article 6, Rule 11(a) — Regulatory Element
ISE Rules
Rule 604(a) — Regulatory Element
Rule 604(b) — In-house delivery of Regulatory Element
NASDAQ OMX PHLX Rules
Rule 640(a) — Regulatory Element
NASDAQ Stock Market Rules
Rule 1120(a) — Regulatory Element
NASDAQ OMX BX Rules
Rule 1120(a) — Regulatory Element
NYSE Amex Rules
Rule 341A(a) — Regulatory Element
Rule 345A — Continuing education
NYSE Arca Rules
Rule 9.27(c) — Regulatory Element

1.1.4.2 Firm Element

BOX Trading Rules
Chapter XI, Section 5(b) — Firm Element
CBOE Rules
Rule 9.3A(c) — Firm Element
CHX Rules
Article 6, Rule 11(b) — Firm Element
ISE Rules
Rule 604(c) — Firm Element
NASDAQ OMX PHLX Rules
Rule 640(b) — Firm Element
NASDAQ Stock Market Rules
Rule 1120(b) — Firm Element
NASDAQ OMX BX Rules
Rule 1120(b) — Firm Element
NYSE Amex Rules
Rule 341A(b) — Firm Element
Rule 345A — Continuing education
NYSE Arca Rules
Rule 2.23(d)(2) — Registration

1.2 Conduct of Associated and/or Registered Persons

1.2.1 Business Conduct

BOX Trading Rules
Chapter III, Section 4(f) — Prevention of the misuse of material non-public information
Chapter V, Section 18(f)(i) — The Price Improvement Period (“PIP”)
Chapter V, Section 27 — Supplementary material .01— complex orders
Chapter V, Section 29(s) — The universal price improvement period (“UPIP”)
Chapter VI, Section 5(c)(ii) and (c)(iii)(2)(b) — Obligations of market makers
Chapter VII, Section 1(j) and (l)(vi) — Exercise of options contracts

CBOE Rules
Rule 4.1 — Just and equitable principles of trade

CHX Rules
Article 8, Rule 1 — Adherence to all rules and bylaws
Article 8, Rule 2 — Acts detrimental to interest or welfare of exchange
Article 9, Rule 2 — Just and equitable trade principles

ISE Rules
Rule 400 — Just and equitable principles of trade

NASDAQ OMX PHLX Rules
Rule 707 — Just and equitable principles of trade
Rule 708 — Acts detrimental to the interest or welfare of the exchange

NASDAQ Stock Market Rules
Rule 2110 — Standards of commercial honor and principles of trade

NASDAQ OMX BX Rules
Rule 2110 — Standards of commercial honor and principles of trade

NASDAQ Options Market Rules
Chapter III — Business conduct

NSX Rules
Rule 3.1 — Business conduct of ETP holders
Rule 3.2 — Violations prohibited

NYSE Amex Rules
Rule 16 — Business conduct
Article V, Section 4(h) — Violation of constitution, rules or resolution - inequitable conduct
Rule 2010 — Just and equitable principles of trade

NYSE Arca Rules
Rule 6 — Business conduct
Rule 11 — Business conduct
Rule 11.2(b) — Just and equitable principles of trade
1.2.2 Gifts and Gratuities

BOX Trading Rules
   BSE Grandfathered Rules
      Chapter XX, Section 6 — Gratuities
CBOE Rules
   Rule 4.4 — Gratuities
CHX Rules
   Article 8, Rule 7 — Officers and employees of exchange and other industry participants
ISE Rules
   Rule 406 — Gratuities
NASDAQ OMX Phlx Rules
   Rule 707 — Commentary .02
NASDAQ Stock Market Rules
   Rule 3060 — Influencing or rewarding employees of others
   Rule 3090(c) — Transactions involving Nasdaq employees
NASDAQ OMX BX Rules
   Rule 3060 — Influencing or rewarding employees of others
   Rule 3090(c) — Transactions involving Nasdaq employees
NYSE Amex Rules
   Rule 347 — Gratuities to employees of financial concerns
NYSE Arca Rules
   Rule 11.11 — Disclosure of financial arrangements

1.2.3 Outside Business Activities

BOX Trading Rules
   Chapter XI, Section 6 — Other affiliations of registered persons
CHX Rules
   Article 3, Rule 8 — Limitation on interests in other organizations
   Article 3, Rule 17 — Limitations on exchange personnel
NASDAQ Stock Market Rules
   Rule 3030 — Outside business activities of an associated person
NASDAQ OMX BX Rules
   Rule 3030 — Outside business activities of an associated person
NASDAQ Options Market Rules
   Chapter XI, Sec 4 — Other affiliations of registered persons
NYSE Amex Rules
   Rule 342 — Association of members, member organizations and persons associated with member organizations
   Rule 346 — Limitations
NYSE Arca Rules
   Rule 2.23(d) and (e) — Limitations — employment and association
1.2.4 Transactions with Other Professionals

BOX Trading Rules
Chapter XI, Section 19 — Transactions with certain public customers

CHX Rules
Article 8, Rule 6 — Prohibited accounts

ISE Rules
Rule 618 — Transactions of certain customers

NASDAQ OMX PHLX Rules
Rule 751 — Accounts of employees of members of participating organizations
Rule 783 — Financial arrangements

NASDAQ Options Market Rules
Chapter XI, Section 17 — Transactions of certain public customers

NSX Rules
Rule 2.10 — No Affiliation between exchange and any ETP holder

NYSE Amex Rules
Rule 407 — Transactions of employees
Rule 407A — Disclosure of member accounts
Rule 415 — Member’s transactions with another member organization
Rule 3220 — Influencing or rewarding employees of others

NYSE Arca Rules
Rule 11.11 — Disclosure of financial arrangements

1.2.5 Sharing in Profits and Losses

BOX Trading Rules
Chapter XI, Section 20 — Guarantees
Chapter XI, Section 21 — Profit sharing
Chapter XI, Section 22 — Assuming losses

CHX Rules
Article 8, Rule 12 — Interest in customer accounts

ISE Rules
Rule 619 — Guarantees
Rule 620 — Profit sharing
Rule 621 — Assuming losses

NASDAQ OMX PHLX Rules
Rule 777 — Guarantees not permitted

NASDAQ Stock Market Rules
Rule 2460 — Payments for market making

NASDAQ OMX BX Rules
Rule 2460 — Payments for market making

NASDAQ Options Market Rules
Chapter XI — Section 19 — Profit-sharing
Chapter XI — Section 20 — Assuming losses

NSX Rules
Rule 3.18 — Prohibition against guarantees
Rule 3.19 — Sharing in accounts; extent permissible
NYSE Amex Rules
   Rule 390 — Assumption of loss prohibited
   Rule 2150 — Improper use of customers’ securities or funds

NYSE Arca Rules
   Rule 9.1 — Sharing profits — Losses

1.3 Disciplinary Proceedings and Arbitration/Mediation

1.3.1 Investigations, Sanctions and Disciplinary Proceedings

1.3.1.1 Investigations
   Obligation to produce records
   Submission of written testimony
   Submission to on-the-record interviews

1.3.1.2 SRO disciplinary panels and committees
   Operational aspects of panels and committees
   Sanctions

BOX Trading Rules
   Chapter XI, Section 7 — Discipline, suspension, expulsion of registered persons
   Chapter X — Minor rule violations

BSE Grandfathered Rules
   Chapter XXX — Disciplining of members and denial of membership

CBOE Rules
   Rule 17.1 — Disciplinary jurisdiction
   Rule 17.2 — Complaint and investigation
   Rule 17.3 — Expedited proceeding
   Rule 17.4 — Charges
   Rule 17.7 — Summary proceedings
   Rule 17.8 — Offers of settlement
   Rule 17.11 — Judgment and sanction

CHX Rules
   Article 12, Rule 1 — Investigation and charges
   Article 12, Rule 2 — Summary procedure
   Article 12, Rule 3 — Admission of charges
   Article 12, Rule 4 — Hearing procedure
   Article 12, Rule 5 — Review
   Article 12, Rule 6 — Effective date or judgment
   Article 12, Rule 7 — Disciplinary jurisdiction
   Article 12, Rule 8 — Minor rule violations
   Article 12, Rule 10 — Pending proceedings

ISE Rules
   Chapter 16 — Discipline
NASDAQ OMX PHLX Rules
  Rule 960 — Disciplinary rules
NASDAQ Stock Market Rules
  Rule 8000 Series — Investigations and sanctions
  NASDAQ Bylaws — Article IX — Section 2 — Disciplinary proceedings
NASDAQ OMX BX Rules
  Rule 8000 Series — Investigations and sanctions
NASDAQ Options Market Rules
  Chapter X — Discipline and summary suspensions
NSX Rules
  Chapter 8 — Discipline
NYSE Amex Rules
  Rule 475 — Prohibition or limitation
  Rule 476 — Disciplinary proceedings
  Rule 476A — Minor rule violations
  Rule 477 — Retention of jurisdiction
NYSE Arca Rules
  Rule 10 — Disciplinary proceedings and appeals

1.4 Arbitration and Mediation Procedures

BOX Trading Rules
  BSE Grandfathered Rules
    Chapter XXXII — Arbitration
CBOE Rules
  Chapter XVIII — Arbitration

CHX Rules
  Article 14 — Arbitration
ISE Rules
  Chapter 18 — Arbitration
NASDAQ OMX PHLX Rules
  Rule 950 — Arbitration
NASDAQ Stock Market Rules
  Rule 10000 Series — Code of arbitration procedure
NASDAQ OMX BX Rules
  Rule 10000 Series — Code of arbitration procedure
NSX Rules
  Chapter 9 — Arbitration
NYSE Amex Rules
  Rule 600 — Arbitration
NYSE Arca Rules
  Rule 12 — Arbitration
1.5 Recordkeeping and Reporting Requirements

1.5.1 Books and Records

BOX Trading Rules
Chapter VIII, Section 1 — Maintenance, retention and furnishing of books, records and other information

CBOE Rules
Rule 15.1 — Maintenance, retention and furnishing of books, records and other information

CHX Rules
Article 11, Rule 1 — Furnishing of records
Article 11, Rule 2 — Maintenance of books and records
Article 11, Rule 3 — Records of orders and executions
Article 11, Rule 4 — Participant communications

ISE Rules
Rule 1400 — Maintenance, retention and furnishing of books

NASDAQ Stock Market Rules
Rule 3110(a) — Books and records requirements

NASDAQ OMX BX Rules
Rule 760 — Maintenance, retention and furnishing of books records and other information

NASDAQ Options Market Rules
Chapter IX — Section 1 — Maintenance, retention and furnishing of books and records and other information

NSX Rules
Rule 4.1 — Requirements
Rule 4.2 — Furnishing of records
Rule 4.3 — Record of written complaints
Rule 5.3 — Records

NYSE Amex Rules
Rule 31 — Requests for books, papers, records or testimony
Rule 153 — Record of orders
Rule 302 — Provisions with respect to books of account
Rule 324 — Books and records
Rule 410 — Books and records
Rule 440 — Books and records
Rule 922(b) — Maintenance of customer records

NYSE Arca Rules
Rule 11.16(a) — Books and records
Securities Exchange Act of 1934

Rule 17a-3 — Records to be made by certain exchange members, brokers and dealers

Rule 17a-4 — Records to be preserved by certain exchange members, brokers, and dealers

Rule 17a-5 — Reports to be made by certain brokers and dealers

Rule 17a-8 — Financial record keeping and reporting of currency and foreign transactions

Rule 17f-1 — Requirements for reporting and inquiry with respect to missing, lost, counterfeit or stolen securities
2.0
Markets, Market Participants, Exchanges, and Self Regulatory Organizations (SROs)

- Understand how financial markets function
- Understand the regulatory structure of the marketplace
- Understand the differences between different types of markets
- Understand the roles and responsibilities of market participants

2.1 Overview of U.S. Securities Markets and Exchanges

2.1.1 Auction Market

2.1.2 NASDAQ Market Center – Execution Services

2.1.3 Over-the-Counter Securities

2.1.4 Third Market
   Off-exchange trading in exchange listed securities
   Consolidated tape reporting requirement

2.1.5 Bulletin Board

2.2 Other Facilities
   Automated Display Facility (ADF)
   ECNs

2.3 Securities and Exchange Commission (SEC)

2.3.1 Securities Exchange Act of 1934 — Regulation of exchanges, brokers and dealers and SEC rules thereunder
   Section 3 (a) — Definitions of broker, dealer, security, investment contract, statutory disqualification
   Section 4 — Securities and Exchange Commission
   Section 6 — National Securities Exchanges
   Section 15A — Registered securities associations
   Rule 17f-2 — Finger-printing of security industry personnel

2.3.2 Investment Company Act of 1940
   Section 2 — General definitions
   Section 3 — Definition of investment company
   Section 4 — Classification of investment companies
   Section 5 — Sub-classification of management companies
   Section 6 — Exemptions
   Section 8 — Registration of investment companies
2.4 Self Regulatory Organizations (SROs) and Exchanges

2.4.1 NYSE Euronext Inc
   New York Stock Exchange LLC (NYSE)
   NYSE Amex LLC (NYSE Amex)
   NYSE Arca Inc. (NYSE Arca)

2.4.2 Chicago Stock Exchange (CHX)

2.4.3 National Stock Exchange (NSX)

2.4.4 Chicago Board Options Exchange (CBOE)

2.4.5 CBOE Stock Exchange (CBSX)

2.4.6 C2 Options Exchange, Incorporated

2.4.7 The NASDAQ OMX Group
   The NASDAQ Stock Market
   NASDAQ Options Market
   NASDAQ OMX BX (including Boston Options Exchange – BOX)
   NASDAQ OMX PHLX (including PSX)

2.4.8 International Securities Exchange (ISE)

2.4.9 BATS Exchange

2.4.10 Direct Edge

2.4.11 Financial Industry Regulatory Authority (FINRA)

2.4.12 Options Clearing Corporation

2.4.13 Depository Trust and Clearing Corporation

2.5 Market Participants

2.5.1 Market Makers
   Designated market maker
   Lead market maker
   Primary or preferred market maker
   Floor based market maker
   Remote market maker
   Competing market maker
   Specialists/electronic specialists
CBOE Rules
Rule 8.1 — Market-maker defined
Rule 8.2 — Registration of market-makers
Rule 8.7 — Obligations of market-makers
Rule 8.13 — Preferred marker-maker program
Rule 8.14 — Index hybrid trading system classes market-maker participants
Rule 8.15 — Lead market-makers and supplemental market-makers in hybrid 3.0 Classes
Rule 8.15A — Lead market-makers in hybrid classes
Rule 8.80 — Designated primary market-makers – DPM defined
Rule 8.81 — DPM designees
Rule 8.83 — Approval to act as DPM
Rule 8.85 — DPM obligations
Rule 8.92 — Electronic DPM program
Rule 8.93 — E-DPM obligations

C2 Rules
Rule 8.1 — Initial market maker registration
Rule 8.13 — Preferred market maker program

CBSX Rules
Rule 53.20 — CBSX remote market maker defined
Rule 53.50 — CBSX DPM defined
Rule 53.51 — CBSX LMM defined

NASDAQ OMX PHLX Rules
Rule 1014 — Obligations and restrictions applicable to specialists and registered options traders

NASDAQ Stock Market Rules
Rule 4612 — Registration as a Nasdaq market maker
Rule 4613 — Market maker obligations

NASDAQ OMX BX Rules
Rule 4612 — Registration as an equities market maker
Rule 4613 — Market maker obligations

NASDAQ Options Market Rules
Chapter VII, Section 2 — Market maker registration
Chapter VII, Section 3 — Continuing market maker registration
Chapter VII, Section 4 — Good standing of market makers
Chapter VII, Section 5 — Obligations of market makers
Chapter VII, Section 6 — Market maker quotations
Chapter VII, Section 7 — Securities accounts and orders of market makers

2.5.1.1 Securities Exchange Act of 1934 and SEC Rules Thereunder
Section 3 — Certain definitions under the Act
Section 3(a)(38) — Market maker
Rule 3b-8 — Qualified block positioned
2.5.2 Floor Brokers

2.5.2.1 Types of Brokers

- Solicitation
- Executing
- Facilitation

CBOE Rules
  - Rule 6.70 — Floor broker defined
  - Rule 6.71 — Registration of floor brokers
  - Rule 6.73 — Responsibilities of floor brokers
  - Rule 7.3 — Designation of order book officials
  - Rule 7.12 — PAR official

CBSX Rules
  - Rule 53.60 — CBSX broker defined

NASDAQ OMX PHLX Rules
  - Rule 155 — General responsibility of floor brokers
  - Rule 1060 — Floor broker defined
  - Rule 1061 — Registration of floor brokers
  - Rule 1063 — Responsibilities of floor brokers

2.5.3 Proprietary Traders

CBOE Rules
  - Rule 3.6A — Qualification and registration of trading permit holders and associated persons

CHX Rules
  - Article 6, Rule 3 — Training and examination of registrants

ISE Rules
  - Rule 313 — Registration requirements

NYSE Arca Options
  - Rule 2.5 — Denial of or conditions to OTPs

NYSE Arca Equities
  - Rule 2.4 — Denial of or conditions to ETPs
3.0
Types and Characteristics of Securities and Investments

- Understand terms and definitions of equity securities, types of equity products, investment strategies, and underlying risks
- Understand terms and definitions of options products, investment strategies, and underlying risks
- Understand how to calculate profit, loss, and breakeven points of various strategies
- Understand the implications of corporate actions such as splits, mergers, dividends and their effect

3.1 Equity Securities

3.1.1 Common Stock

3.1.1.1 Ownership in a corporation

3.1.1.2 Rights of stockholders
    - Limited liability
    - Proportionate ownership
    - Transfer rights

3.1.1.3 Dividends
    - Record date
    - Payable date
    - Cash
    - Stock
    - Ex-dividend date

3.1.1.4 Voting Rights
    - Statutory voting rights
    - Cumulative voting rights
    - Contingent voting rights of preferred stockholders
    - Proxies
    - Voting trusts
    - Trustee
    - Voting trust certificates
    - Beneficial interests
    - Non-voting common stock
3.1.1.5 Corporate Actions
   Splits
   Reverse splits
   Spin-offs
   Tender offers

3.1.1.6 Contract Adjustments
   BOX Trading Rules
   Chapter IV, Section 7 — Adjustments
   CBOE Rules
   Rule 5.7 — Adjustments
   ISE Rules
   Rule 505 — Adjustments
   NASDAQ Options Market Rules
   Chapter IV — Section 7 — Adjustments

3.1.1.7 Stock terms and definitions
   Authorized stock
   Reasons for authorizing more stock than that issued
   Issued stock
   Outstanding stock
   Treasury stock
   Reasons for reacquiring issued stock
   Par value
   Stated value
   Stock certificates
   Escrow receipt
   Transfer agent
   Registrar
   Endorsements
   Transfer procedures

3.1.2 Preferred Stock

3.1.2.1 Dividends
   Preference over common
   Dividend stated as percentage of par
   Dividend stated in dollars per share
   Adjustable/variable rates of return
   Right to dividend
   Auction rate

3.1.2.2 Asset preference of preferred over common

3.1.2.3 Classes of preferred and degree of preference
3.1.2.4 Types of preferred stock
   - Cumulative
   - Non-cumulative
   - Participating
   - Non-participating
   - Convertible
   - Perpetual
   - Limited
   - Delayed
   - Callable
   - Adjustable rate
   - Sinking fund provisions

3.1.3 Rights

3.1.3.1 Definition and purpose

3.1.3.2 Rights terms
   - Stock appreciation rights (SAR)
   - Employee stock options

3.1.3.3 Origination and issuance
   - Value of subscription rights
   - Disposition of rights
   - Terms of offering

3.1.3.4 Exercise of rights

3.1.4 Warrants

CSBX Rules
   - Rule 54.4 — Transactions in warrants
   - Rule 54.5 — Position, exercise and reportable limits in warrants
   - Rule 54.6 — Special requirements for stock index warrants, currency index warrants and currency warrants

NASDAQ Stock Market Rules
   - Rule 2840 Series — Trading in index warrants, currency index warrants and currency warrants
   - Rule 2850 — Position limits
   - Rule 2851 — Exercise limits
   - Rule 2852 — Reporting requirements
NASDAQ OMX BX Rules
Rule 2840 — Trading in index warrants, currency index warrants and currency warrants
Rule 2850 — Position limits
Rule 2851 — Exercise limits
Rule 2852 — Reporting requirements
NYSE Arca Equities Rules
Rule 8, Section 1 — Trading in warrants, index warrants and currency warrants

3.1.4.1 Definition and purpose

3.1.4.2 Origination and purpose
Origination of warrants

3.1.4.3 Valuation and exercise of warrants
Exercise terms
Valuation of warrants
Warrant leverage
Relationship of underlying stock
Anti-dilution agreement
Expiration

3.1.5 Exchange Traded Funds (ETFs)
Creating
Redeeming
Narrow versus broad based
Guilds (GLDs)

3.1.6 Exchange Traded Notes (ETNs)

3.1.7 American Depositary Receipts (ADRs), American Depositary Shares (ADSs), Global Depositary Receipts (GDRs), and Global Depositary Shares (GDSs)

3.1.7.1 Definition and purpose
Sponsored vs. non-sponsored

3.1.7.2 Origin and nature of ADRs, ADSs, GDRs and GDSs

3.1.7.3 Duties of the issuing/depository bank
Converts and distributes cash dividend in U.S. currency
Converts and distributes rights offerings
Distributes information on non-U.S. corporate developments

3.1.7.4 Shareholders’ rights to demand delivery of the underlying shares
3.1.7.5 Relationship to ordinary shares

3.1.8 International Securities

3.1.8.1 Securities denominated in foreign currency versus those denominated in U.S. dollars

3.1.8.2 Relationship to ADRs, ADSs, GDRs and GDSs

3.1.9 Initial Public Offerings

3.1.9.1 Registration of securities
   Securities Act of 1933
   Section 6 — Registration of securities
   Regulation C — Registration
   Regulation D — Offer and sale of securities without registration

3.1.9.2 Offer and sale of new issue securities — indications of interest

3.1.9.3 Stabilization
   Maintained by managing underwriter in aftermarket at or below public offering price
   Syndicate penalty bid
   Purpose
   Stabilizing bids
   Pre-effective bids
   Syndicate covering transactions
   NASDAQ Stock Market Rules
   Rule 4614 — Stabilizing bids
   Rule 4624 — Penalty bids and syndicate covering transactions
   NASDAQ OMX BX Rules
   Rule 4614 — Stabilizing bids
   Rule 4624 — Penalty bids and syndicate covering transactions

3.1.9.4 Hot Issues

3.1.9.5 SEC Regulation M
   Rule 100 — Definitions
   Rule 101 — Activities by distribution participants
   Rule 102 — Activities by issuers and selling security holders during a distribution
   Rule 104 — Stabilizing transactions and other activities in connection with an offering
   Rule 105 — Short selling in connection with a public offering
3.1.10 Penny Stock Rules

SEC Exchange Act of 1934
- Section 3(a)(51) — Definition of penny stock
- Rule 3a51-1 — Penny stock
- Rule 15g-1 — Exemptions for certain transactions
  - Confirmations and other disclosures
- Rule 15g-3 — Broker or dealer disclosure of quotations and other
  information relating to the penny stock market
- Rule 15g-8 — Sales of escrowed securities of blank check companies

3.2 Listed Options

3.2.1 Equity Options

Underlying securities
- Selection/withdrawal process
- Exercise style
  - American
  - European
Expiration cycles
- Daily, weekly, monthly, quarterly
  - Cycles vary
- Long-term equity anticipation securities (LEAPs)
  - Strike price intervals
    - Dependent upon the price of the stock
Adjustment to option terms
- Cash dividends
- Stock dividends
- Stock splits
- Spin-offs
Premiums
- Premium increments
- Factors affecting option premiums
Expiration date
- Gamma
- Delta
- Vega

BOX Trading Rules
- Chapter I, Section 1 — Definitions
- Chapter IV, Section 4 — Withdrawal of approval of underlying securities
- Chapter IV, Section 6 — Series of options contracts open for trading

CBOE Rules
- Rule 1.1 — Definitions
3.2.2 Index Options

Broad-based index
Narrow-based index
Industry-based or sector-based index
Exercise style
  By cash payment on the next business day
  Settlement amount is the difference between strike price and index closing value
Expiration cycles
  Cycles vary
  LEAPs
Flexible Exchange Options (FLEX)
Strike price intervals
Premium increments
Expiration date
Exercise style
  European
  American

BOX Trading Rules
  Chapter XIV — Index rules

CBOE Rules
  Chapter XXIV — Index options

ISE Rules
  Chapter 20 — Index options

NASDAQ OMX PHLX Rules
  Rule 1000A — Trading of options on indices
  Rule 1107A — Trading of options on indices

NASDAQ Options Market Rules
  Chapter XIV — Index option rules
NSX Rules
   Rule 12.9 — Index options
NYSE Amex Rules
   Rule 900C — Stock index options
NYSE Arca Rules
   Rule 5.10 — Index options

3.2.3 Exchange Traded Fund (ETFs) Options

3.2.4 Foreign Currency Options
   Contract sizes
   Expiration cycles
   Expiration date
   Settlement style
   American style
   European style
   Trading hours
   Strike price intervals
   Premium increments

ISE Rules
   Chapter 22 — Rate-modified foreign currency options rules
NASDAQ OMX PHLX Rules
   Rule 1000(b)(13) — Definitions — Foreign currency
   Rule 1012(a)(ii) — Foreign currency options series
   Rule 1016 — Block transactions in foreign currency options
NYSE Arca Rules
   Rule 5.75 — Series of foreign currency options open for trading

3.3 Types of orders
   Market
   Limit
   Stipulation
   Day
   GTC
   Market not held
   Stop limit
   Spread
   Straddle
   Combination
   Contingency
   Immediate-or-cancel/Fill-and-kill
   At- the-close
   Manual
   All-or-none
   Reserve
Fill-or-kill
Discretionary
ISOs
On open
Complex
Stop loss

BOX Trading Rules
  Chapter V, Section 4 — Order entry
  Chapter V, Section 27 — Complex orders
CBOE Rules
  Rule 6.53 — Certain types of orders defined
C2 Rules
  Rule 6.10 — Order types defined
CBSX Rules
  Rule 51.8 — Types of orders handled
CHX Rules
  Article 1 — Rule 2 — Order types and conditions
ISE Rules
  Rule 715 — Types of orders
  Rule 722 — Complex orders
NASDAQ OMX PHLX Rules
  Rule 1066 — Certain types of orders defined
  Rule 1080 — PHLX XL and PHLX II
  Rule 3305 (PSX) — Order entry parameters
NASDAQ Stock Market Rules
  Rule 4755 — Order entry parameters
NASDAQ OMX BX Rules
  Rule 4755 — Order entry parameters
NASDAQ Options Market Rules
  Chapter VI — Section 1 — Definitions
NSX Rules
  Rule 11.11 — Orders and modifiers
  Rule 11.14 — Priority of orders
  Rule 11.15 — Order execution
NYSE Amex Rules
  Rule 900.3NY — Orders defined
NYSE Arca Rules
  Rule 6.62 — Certain types of orders defined
  Rule 7.31 — Orders and modifiers
3.4 Strategy Investment Posture for Various Market Scenarios

3.4.1 Equities
   Long
   Short sales
   Dividend

3.4.2 Options

3.4.2.1 Strategies for Using Puts or Calls
   Call buying strategies
      Alternative to buying the underlying security
      To lock-in a purchase price
      To hedge a short sale
   Put buying strategies
      To hedge a long position
      Alternative to short sale
   Covered call writing concepts
      Increase yield
      Hedge a position
   Put writing concepts
      Increase income
      Acquire stocks below current prices

Types of Spread
   Bull spread
   Bear spread
   Time spread
   Diagonal spread
   Variable spread
   Butterfly spread
   Box spread
   Condor spread
   Iron Butterfly spread
   Straddle
      In-the-money
   Out-of-the-money
   Collars
   Naked calls
   Short equity call
   Strangle
3.4.2.2 Strategies Based on Market Outlook
   Neutral
   - Covered call writing (at market)
   - Straddle writing
   - Combination writing
   Bullish
   - Covered call writing (above market)
   - Uncovered put writing
   - Call purchasing
   - Long stock/long put
   - Bull spreading
   Bearish
   - Uncovered call writing
   - Put purchasing
   - Bear spreading

3.4.2.3 Other Strategy Considerations
   Synthetic positions
   - Long stock/short call = short put
   - Short stock/long call = long put
   - Short stock/short put = short call
   - Long call/short put = long stock
   - Long stock/long put = long call
   - Short call/long put = short stock

3.4.2.4 Hedging with Futures
   Equity strategies
   - Market neutrals
   - Equity long/short
   - Fundamental long/short
   - Paired equities

3.5 Calculation of Profit, Loss, and Break-even

3.5.1 Ability to calculate profit, loss, and break-even limits, and amounts at expiration of aggregate positions relative to movements in the underlying security - percentage return (loss)
   Limits will fluctuate from time of recommendation to time of close-out or expiration
4.0 Trading Practices and Prohibited Activities

- Understand written supervisory procedures, application, and adherence thereto
- Understand the mechanics and ramifications of the tendering of exercise notices for options; exercise by exception and same day exercise
- Understand the effect of exercise prior to ex-dividend date
- Understand OCC assignment procedure and firm/market maker assignment
- Understand the compliance requirements for delivery, payment, and settlement
- Understand relevant position/exercise limits
- Understand reporting related to position limits

4.1 Supervisory Procedures

Written policies and procedures
Maintain appropriate documentation in accordance with proper procedures

4.1.1 SRO Rules Regarding Supervisory Procedures

BOX Trading Rules
Chapter III, Section 1 — Adherence to law
Chapter XI, Section 2 — Registration of options principals
Chapter XI, Section 9 — Opening of accounts
Chapter XI, Section 8 — Branch offices
Chapter XI, Section 10 — Supervision of accounts

CBOE Rules
Rule 4.2 — Adherence to law
Rule 15.8 — Risk analysis of market maker accounts
Rule 15A — Risk analysis of portfolio margin accounts

CHX Rules
Article 6 — Registration, supervision and training

ISE Rules
Rule 401 — Adherence to law
Rule 601 — Registration of options principals
Rule 608 — Opening of accounts
Rule 607 — Branch offices
Rule 609 — Supervision of accounts

NASDAQ OMX PHLX Rules
Rule 748 — Supervision
Rule 761 — Supervisory procedures
Rule 1025 — Supervision of accounts

NASDAQ Stock Market Rules
Rule 3010 — Supervision
Rule 3012 — Supervisory control system

NASDAQ OMX BX Rules
Rule 3010 — Supervision
Rule 3012 — Supervisory control system
NASDAQ Options Market Rules
  Chapter XI — Section 8 — Supervision of accounts

NSX Rules
  Rule 5.1 — Written procedures
  Rule 5.2 — Responsibility of ETP holders
  Rule 5.3 — Records
  Rule 5.4 — Review of activities and annual inspection
  Rule 5.7 — Annual certification of compliance and supervisory processes

NYSE Amex Rules
  Rule 921(g) — Written procedures
  Rule 922(a) — Duty to supervise, designation of supervisory personnel
  Rule 922 — Commentary .01 — Supervision of accounts
  Rule 991 — Communications to customers

NYSE Arca Rules
  Rule 9.1(c) — Office supervision
  Rule 11.18 — Supervision

4.1.2 Options Price Reporting Authority

4.2 Applicable Federal Regulations

4.2.1 Securities Exchange Act of 1934

4.2.1.1 Section 3 — Definitions and Application of Title
  Exchange
  Member
  Broker
  Dealer
  Issuer
  Security
  Equity security
  Buy-Purchase
  Sale-sell
  Clearing agency
4.2.1.2 Section 9 – Prohibition Against Manipulation of Security Prices
Section 9(a)(1) — Misleading appearance of active trading
Section 9(a)(2) — Inducing purchase of sale by others
Section 9(a)(3) — Dissemination of information as to rise or fall of securities prices
Section 9(a)(4) — Making false or misleading statements
Section 9(a)(5) — Dissemination of information for consideration
Section 9(a)(6) — Pegging, fixing or stabilizing prices
Section 9(b) — Options disclosure document
Section 9(e) — Liability for unlawful acts or transactions

4.2.1.3 Section 10(b)—Use or Employment of Deceptive Devices
Rule 10b-3 — Employment of manipulative and deceptive devices by brokers or dealers
Rule 10b-5 — Employment of manipulative and deceptive devices
Rule 10b-18 — Purchases of certain equity securities by the issuer and others

4.2.1.4 Regulation 14E — Tender offers
Rule 14e-4 — Prohibited transactions in connection with partial tender offers

4.2.1.5 Regulation FD — Fair disclosure
Requirement that when an issuer discloses material nonpublic information to certain persons (such as, securities market professionals and holders of the issuer's securities who may well trade on the basis of the information), it must make public disclosure of that information
Enhancement of existing prohibitions against insider trading

4.3 Prohibited Activities

4.3.1 Anti-Manipulation Rules
BOX Trading Rules
Chapter II, Section 3 — Rumors
Chapter V, Section 1(b)(vi) — Access to and conduct on the BOX market
CBOE Rules
Rule 4.7 — Manipulation
CHX Rules
Article 9 — Rule 9 — Fictitious transactions
Article 9 — Rule 11 — Price manipulation
Article 9 — Rule 12 — Manipulative operations
ISE Rules
Rule 405 — Manipulation
NASDAQ OMX PHLX Rules
Rule 782 — Manipulative operations
NASDAQ Stock Market
Rule 2120 — Use of manipulative, deceptive or other fraudulent devices
NASDAQ OMX BX Rules
  Rule 2120 — Use of manipulative, deceptive or other fraudulent devices

NSX Rules
  Rule 12.1 — Market manipulation
  Rule 12.2 — Fictitious transactions
  Rule 12.3 — Excessive sales by and ETP holder
  Rule 12.4 — Manipulative transactions
  Rule 12.5 — Dissemination of false information
  Rule 12.8 — Influencing the consolidated tape

NYSE Amex Rules
  Rule 4 — Manipulation

NYSE Arca Rules
  Rule 11.5 — Manipulation

Securities Exchange Act of 1934
  Rule 15c1-2 — Fraud and misrepresentation
  Rule 15c1-3 — Misrepresentation by brokers, dealers and municipal
  Securities dealers as to registration

Regulation M — Anti-manipulation Rules Concerning Securities Offerings
  Rule 101 — Activities by distribution participants
  Rule 102 — Activities by issuers and selling security holders during a
  distribution
  Rule 103 — NASDAQ passive market making
  Rule 104 — Stabilizing and other activities in connection with an offering
  Rule 105 — Short selling in connection with a public offering

4.3.2 Anti-Money Laundering Rules

  BOX Trading Rules
    Chapter VIII, Section 7 — Anti-money laundering compliance program

  CBOE Rules
    Rule 4.20 — Anti-money laundering compliance program

  CHX Rules
    Article 6, Rule 12 — Anti-money laundering compliance program

  ISE Rules
    Rule 420 — Anti-money laundering compliance program

  NASDAQ OMX PHLX Rules
    Rule 757 — Anti-money laundering compliance program

  NASDAQ Stock Market Rules
    Rule 3011 — Anti-money laundering compliance program

  NASDAQ OMX BX Rules
    Rule 3011 — Anti-money laundering compliance program

  NASDAQ Options Market Rules
    Chapter IX — Section 7 — Anti-money laundering compliance program

  NSX Rules
    Rule 5.6 — Anti-money laundering compliance program

  NYSE Amex Rules
    Rule 432 — Anti-money laundering compliance program
4.3.3 **Insider Trading**

**BOX Trading Rules**
Chapter III, Section 4 — Prevention of the misuse of material, non-public information

**CBOE Rules**
Rule 4.18 — Prevention of misuse of material, nonpublic information

**C2 Rules**
Rule 6.55 — Trading on knowledge of imminent undisclosed solicited transaction

**CHX Rules**
Article 9, Rule 17 — Personal selling and purchasing prohibited

**Insider Trading and Securities Fraud Enforcement Act of 1988**
Section 3 — Civil penalties of controlling persons for illegal insider trading by controlled persons

**ISE Rules**
Rule 408 — Prevention of the misuse of material, nonpublic information

**NASDAQ OMX PHLX Rules**
Rule 761 — Supervisory procedures relating to Insider Trading and Securities Fraud Enforcement Act of 1988

**NASDAQ Options Market Rules**
Chapter III — Section 4 — Prevention of misuse of material non-public information

**NSX Rules**
Rule 5.5 — Chinese Wall procedures

**NYSE Arca Rules**
Rule 6.3 — Prevention of the misuse of material, non-public information
Rule 11.3 — Prevention of misuse of material, non-public information

**NYSE Amex Rules**
Rule 4 — Manipulation

**Securities Exchange Act of 1934**
Section 15(f) — Registration and regulation of brokers and dealers — Written policies and procedures relating to misuse of material, non-public information
Rule 10b-5 — Employment of manipulative and deceptive devices
Rule 10b5-1 — Trading on the basis of material nonpublic information in insider trading cases
Rule 10b5-2 — Duties of trust or confidence in misappropriation insider trading cases
4.3.4 Anti-Competitive Trading Practices

- Collusion
- Price/size/spread convention
- Intimidation
- Harassment

CBOE Rules
  Rule 4.19 — Prohibition against harassment

NASDAQ Stock Market Rules
  IM-2110-5 — Anti-intimidation/coordination

NASDAQ OMX BX Rules
  IM-2110-5 — Anti-intimidation/coordination

NASDAQ OMX PHLX Rules
  Rule 707.01 — Just and equitable principles of trade

NYSE Arca Rules
  Rule 11.2 — Prohibited acts

NYSE Amex Rules
  Rule 16 — Business conduct

4.3.5 Additional Prohibited Activities

- Front running
- Marking-the-close
- Painting-the-tape
- Spreading market rumors
- Wash sale rules
- Information barriers
  - Breach of information barriers
  - Lack of information barriers
- Trade shredding
- Pre-arranged trading
- Trading ahead

BOX Trading Rules
  Chapter III, Section 3 — Rumors

CBOE Rules
  Rule 4.7 — Manipulation
  Rule 4.8 — Rumors
  Rule 6.73 — Responsibilities of floor brokers
CHX Rules
  Article 8, Rule 2 — Acts detrimental to interest or welfare of exchange
  Article 8, Rule 3 — Fraudulent acts
  Article 9, Rule 2 — Just and equitable trade principles
  Article 9, Rule 9 — Fictitious transactions
  Article 9, Rule 10 — Pre-arranged trades
  Article 9, Rule 11 — Price manipulation
  Article 9, Rule 12 — Manipulative operations
ISE Rules
  Rule 400 — Just and equitable principles of trade
  Rule 405 — Manipulation
  Rule 408 — Prevention of the misuse of material, non-public information
  Rule 810 — Limitations in dealings
NASDAQ OMX PHLX Rules
  Rule 707.02 — Just and equitable principles of trade
NASDAQ Stock Market Rules
  Rule 2110 — Standards of commercial honor and principles of trade
  IM-2110-2 — Trading ahead of customer limit orders (Manning interpretation)
  IM-2110-3 — Front running policy
  Rule 2111 — Trading ahead of customer market orders
  Rule 3351 — Trading practices
NASDAQ OMX BX Rules
  Rule 2110 — Standards of commercial honor and principles of trade
  IM-2110-2 — Trading ahead of customer limit orders (Manning interpretation)
  Rule 2111 — Trading ahead of customer market orders
NASDAQ Options Market Rules
  Chapter III, Section 3 — Rumors
NSX Rules
  Rule 5.5 — Chinese wall procedures
  Rule 12.5 — Consumer priority
NYSE Amex Rules
  Rule 3 — General prohibitions
  Rule 995NY — Prohibited conduct
NYSE Arca Rules
  Rule 11.4 — Rumors
  Rule 11.5 — Manipulation
  Rule 11.6 — Front-running of block transactions
4.3.6 Short Sales and Mandatory Buy-Ins

CBSX Rules
  Rule 53.5 — Long, short, and short exempt sales

CHX Rules
  Article 9, Rule 23 — Short sales

NASDAQ OMX PHLX Rules
  Rule 455 — Short sales

NASDAQ Stock Market Rules
  Rule 11810 Series — Buying-in

NASDAQ OMX BX Rules
  Rule 4763 — Short sale price test pursuant to Rule 201 of Regulation SHO
  Rule 11810 Series — Buying-in

NSX Rules
  Rule 11.21 — Short sales

NYSE Amex Rules
  Rule 7 — Short sales

NYSE Arca Rules
  Rule 7.16 — Short sales

Securities Exchange Act of 1934
  Rule 15c3-3(h) — Customer protection — Reserves and custody of securities

4.3.6.1 Regulation SHO — Short Sales

Aggregation unit requirements
Marking requirements
Locate requirements
Close-out requirements
Short sale trading restrictions
Threshold securities

Regulation SHO
  Rule 200 — Definition of “short sale” and marking requirements
  Rule 201 — Circuit breakers
  Rule 203 — Borrowing and delivery requirements
  Rule 204 — Close-out requirement
4.4 Trading Practices

4.4.1 Terms and Definitions

Program trading
Best execution
Allocation of trades
Unlisted Trading Privilege (UTP)
Priority
Price
Time
Customer
Pro rata
Do-Not-Trade Lists

BOX Trading Rules
  Chapter V, Section 14 — Order entry
  Chapter V, Section 16 — Execution and price/time priority
  Chapter V, Section 17 — Customer orders and order flow providers

CBOE Rules
  Rule 6.24 — Required order information
  Rule 6.45 — Priority of bids and offers — Allocation of trades
  Rule 8.51 — Firm disseminated market quotes
  Rule 8.87 — Participation entitlements of DPMS and e-DPMs

C2 Rules
  Rule 6.12 — Order execution and priority

CBSX Rules
  Rule 52.1 — Matching algorithm/priority

CHX Rules
  Article 22, Rule 5 — Unlisted trading privileges
  Article 17, Rule 3 — Institutional broker responsibilities

ISE Rules
  Rule 713 — Priority of quotes and orders

NSX Rules
  Rule 1.5 — Definitions
  Rule 11.11 — Orders and modifiers
  Rule 11.14 — Priority of orders
  Rule 11.15 — Order executions

NYSE Amex Rules
  Rule 964NY — Display, priority and order allocation

NYSE Arca Rules
  Rule 6.76 — Order ranking and display
  Rule 6.76A — Order execution
4.4.2 Position and Exercise Limits

Hedge exemptions
Delta hedging

BOX Trading Rules
Chapter III, Section 7 — Position limits
Chapter III, Section 9 — Exercise limits
Chapter XIV, Section 5 — Position limits for broad-based index options
Chapter XIV, Section 6 — Position limits for industry index options
Chapter XIV, Section 8 — Exercise limits
Chapter XIV, Section 13 — Exercise of American style index options

CBOE Rules
Rule 4.11 — Position limits
Rule 4.12 — Exercise limits
Rule 24.4 — Position limits for broad-based index options
Rule 24.4A — Position limits for industry index options
Rule 24.5 — Exercise limits
Rule 24.18 — Exercise of American style index options

ISE Rules
Rule 412 — Position limits
Rule 414 — Exercise limits
Rule 2004 — Position limits for broad-based index options
Rule 2005 — Position limits for industry index options
Rule 2007 — Exercise limits
Rule 2012 — Exercise of American style index options
Rule 2208 — Position limits for foreign currency options
Rule 2209 — Exercise limits for foreign currency options

NASDAQ OMX PHLX Rules
Rule 1001 — Position limits
Rule 1001A — Position limits — options on indices
Rule 1002 — Exercise limits
Rule 1002A — Exercise limits (index options)

NASDAQ Options Market Rules
Chapter III — Section 7 — Position limits
Chapter III — Section 8 — Exemptions
Chapter III — Section 9 — Exercise limits
Chapter III — Section 10 — Reports
NYSE Amex Rules
   Rule 904 — Position limits
   Rule 904C — Position limits — Stock index options
   Rule 904D — Position limits — T-Bill options
   Rule 904D — Exercise limits — T-Bill options
   Rule 905 — Exercise limits
   Rule 905C — Exercise limits — Stock index options
   Rule 906G — Position limits — Flexible exchange options
   Rule 907G — Exercise limits — Flexible exchange options
   Rule 980 — Exercise of options contracts

NYSE Arca Rules
   Rule 6.8(a) — Options trading, position limits
   Rule 6.9 — Options trading, exercise limits
   Rule 6.11 — Exercise of options contracts

4.4.3 Cabinet trading
   Supervision of specialist/OBO
   .01 per lot
   Time priority
   Not reported to vendors
   Off-floor accommodations

   BOX Trading Rules
      Chapter V, Section 28 — Accommodation liquidations (cabinet trades)

   CBOE Rules
      Rule 6.54 — Accommodation liquidations

   ISE Rules
      Rule 718 — Accommodation transactions (cabinet trades)

   NASDAQ OMX PHLX Rules
      Rule 1059 — Accommodation transactions

   NYSE Amex Rules
      Rule 968NY — Cabinet trades (accommodation transactions)

   NYSE Arca Rules
      Rule 6.80 — Accommodation transactions (cabinet trades)

4.5 Regulation NMS — Regulation of the National Market System
   Rule 600 — NMS security designation and definitions
   Rule 602 — Dissemination of quotations in NMS securities
   Rule 604 — Display of customer limit orders
      Specialist and OTC market makers
   Rule 605 — Disclosure of order execution information
   Rule 606 — Disclosure of order routing information
   Rule 610 — Access to quotations
   Rule 611 — Order protection rule
   Rule 612 — Minimum price increments
4.6 Third Party Trades
   Step out
   Give-up (clearing)
   Prime broker

4.7 Exercise/Assignment of Options

4.7.1 Tender of Exercise Notices
   Equity options
      Effect of exercise prior to ex-dividend date
      Time limitations
      Same day exercise
      Exercise by exception
   Index options
   Foreign currency options

   BOX Trading Rules
      Chapter VII, Section 1 — Exercise of options contracts
   CBOE Rules
      Rule 11.1 — Exercise of option contracts
   ISE Rules
      Rule 1100 — Exercise of option contracts
   NASDAQ OMX PHLX Rules
      Rule 1042 — Exercise of equity option contracts
      Rule 1042A — Exercise of option contracts — Options on indices
   NASDAQ Options Market Rules
      Chapter VIII — Section 1 — Exercise of option contracts
   NSX Rules
      Rule 12.9 — Options
   NYSE Amex Rules
      Rule 980 — Exercise of options contracts
   NYSE Arca Rules
      Rule 5.24 — Exercise of options contracts

4.7.2 Assignment of Exercise Notices
   Effect of assignment on ex-dividend date of equities
   OCC assignment procedure
   Firm/market maker/customer assignment
   Acceptable procedures for allocating customer assignments
   Allocation methods
   Delivery and payment/settlement date
   Work papers and documentary materials regarding assignment notices
BOX Trading Rules
  Chapter VII, Section 2 — Allocation of exercise notices
  Chapter VII, Section 3 — Delivery and payment
CBOE Rules
  Rule 11.2 — Allocation of exercise notices
  Rule 11.3 — Delivery and payment
ISE Rules
  Rule 1101 — Allocation of exercise notices
  Rule 1102 — Delivery and payment
NASDAQ OMX PHLX Rules
  Rule 1043 — Allocation of exercise notices
  Rule 1044 — Delivery and payment
NASDAQ Options Market Rules
  Chapter VIII — Section 2 — Allocation of exercise notices
  Chapter VIII — Section 3 — Delivery and payment
NYSE Amex Rules
  Rule 981 — Allocation of exercise notices
  Rule 982 — Delivery and payment
NYSE Arca Rules
  Rule 6.25 — Allocation of exercise assignment

4.8 Clearance, Transaction Review, and Settlement Procedures

4.8.1 Clearance and Settlement
  BOX Trading Rules
    Chapter V, Section 23(a) — Submission for clearance
  CBOE Rules
    Rule 6.50 — Submission for clearance
    Rule 6.51 — Reporting duties
    Rule 6.58 — Submission of trade information to the Exchange
  C2 Rules
    Rule 6.31 — Rules reporting of matched trades to clearing corporation
    Rule 6.37 — Reporting of trade information
  CHX Rules
    Article 21 — Clearance and settlement
  ISE Rules
    Rule 712(b) — Clearance of transactions
  NASDAQ OMX PHLX Rules
    Rule 1051 — General comparison and clearance rule
    Rule 3218 (PSX) — Clearance and settlement
  NASDAQ Stock Market Rules
    Rule 4618 — Clearance and settlement
  NASDAQ OMX BX Rules
    Rule 4618 — Clearance and settlement
4.8.2 Leverage and Associated Risk
   Risk based haircuts
   Portfolio margining

4.8.3 Account Designations
   Position transferring
   Customer/market maker/firm capital treatment
   Joint back office (JBO)

CBOE Rules
   Rule 6.49A — Transfer of positions

CHX Rules
   Article 7 — Rule 3A — Joint back office participants

NASDAQ OMX PHLX Rules
   Rule 703 (a)(vi) — Financial responsibility and reporting

NASDAQ Options Market Rules
   Chapter XIII, Section 5 — Joint back office participants
   Chapter VII, Section 9 — Financial requirements for market makers

4.9 Transaction Review
   Position adjustments
   Trade adjustments form
   Unmatched adjustment report

   Types of errors
   Account type errors (firm/customer)
   Trade type error (open/close)
   Clearly erroneous trades
   Obvious error

   Daily position reports
   Trade blotters

BOX Trading Rules
   Chapter V, Section 21 — Transaction price binding
CBOE Rules
  Rule 6.25 — Nullification and adjustment of options transactions
  Rule 6.52 — Price binding despite erroneous report
  Rule 6.60 — Unmatched trade reports
  Rule 6.61 — Reconciliation and resolution of unmatched trades
C2 Rules
  Rule 6.15 — Obvious error and catastrophic errors
  Rule 6.1.6 — Price binding despite erroneous report
CBSX Rules
  Rule 52.4 — Clearly erroneous policy
CHX Rules
  Article 20 — Rule 9 — Cancellation of transactions
  Article 20 — Rule 10 — Handling of clearly erroneous transactions
ISE Rules
  Rule 719 — Transaction price binding
NASDAQ OMX PHLX Rules
  Rule 128 — Price of execution binding
  Rule 1092 — Obvious errors and catastrophic errors
  Rule 3312 (PSX) — Clearly erroneous transactions
NASDAQ Stock Market Rules
  Rule 11890 — Clearly erroneous transactions
NASDAQ OMX BX Rules
  Rule 11890 — Clearly erroneous transactions
NASDAQ Options Market Rules
  Chapter V — Section 6 — Obvious error
  Chapter VI — Section 13 — Transaction price binding
NSX Rules
  Rule 11.19 — Clearly Erroneous Executions
NYSE Amex Rules
  Rule 958NY — Price binding despite erroneous report
  Rule 970 — Comparison of option transactions excluded from clearance
NYSE Arca Rules
  Rule 6.70 — Price binding despite erroneous report

4.10 Order Tickets

BOX Trading Rules
  Chapter III, Section 4 — Automated submission of trade data
CBOE Rules
  Rule 6.2.4 — Required order information
CHX Rules
  Article 11 — Rule 1 — Furnishing of records
  Article 11 — Rule 2 — Maintenance of books and records
  Article 11 — Rule 3 — Records of orders and executions
  Article 11 — Rule 4 — Participant communications
ISE Rules
  Rule 1404 — Automated submission of trade data

NASDAQ OMX PHLX Rules
  Rule 3404 — Recording of order information
  Rule 3405 — Order data transmission requirements

NASDAQ Stock Market Rules
  Rule 6954 — Recording of information

NASDAQ OMX BX Rules
  Rule 6954 — Recording of information

NASDAQ Options Market Rules
  Chapter IX, Section 4 - Automated submission of trade data
  Chapter V, Section 7 – Audit Trail

NSX Rules
  Rule 3.8 — The prompt receipt and delivery of securities
  Rule 4.2 — Furnishing of records

NYSE Amex Rules
  Rule 924(d) — Record of transactions
  Rule 957NY — Reporting duties

NYSE Arca Rules
  Rule 6.68 — Record of orders
  Rule 6.69 — Reporting duties

Securities Exchange Act of 1934
  Rule 17a-3 — Records to be made by certain exchange members, brokers, and dealers

4.11 Settlement Practices

4.11.1 Settlement and Delivery Requirements
  Fails-to-deliver
  Cash settlement

BOX Trading Rules
  Chapter VII, Section 3 — Delivery and payment

CBOE Rules
  Rule 11.3 — Delivery and payment

CHX Rules
  Article 21 — Clearance and settlement

ISE Rules
  Rule 1102 — Delivery and payment

NASDAQ OMX PHLX Rules
  Rule 1044 — Delivery and payment
  Rule 3218 (PSX) — Clearance and settlement

NASDAQ Stock Market Rules
  Rule 4618 — Clearance and settlement
  Rule 11300 Series — Delivery of securities
NASDAQ OMX BX Rules
  Rule 4618 — Clearance and settlement

NASDAQ Options Market Rules
  Chapter VIII — Section 3 — Delivery and payment

NSX Rules
  Rule 11.17 — Clearance and settlement
  Rule 13.1 — Comparison and settlement requirements
  Rule 13.2 — Failure to deliver and failure to receive

NYSE Amex Rules
  Rule 765 — Assignment by member organizations
  Rule 774 — Signature guarantee
  Rule 775 — Legal assignments
  Rule 776 — Book-entry settlement of transactions
  Rule 831 — Buyer entitled to dividend
  Rule 882 — Due-bills on failures to deliver
  Rule 982 — Delivery and payment

NYSE Arca Rules
  Rule 3.7 — Assignment
  Rule 6.26 — Settlement and payment

4.11.2 Clearance Procedures

OCC
DTCC
NSCC

OCC By-Laws
  Article V — Clearance of exchange transactions

OCC Rules
  Chapter IV — Trade reporting and matching
  Chapter V — Daily cash settlement
  Chapter IX — Delivery of underlying securities and payment
5.0 Display, Execution and Trading Systems

- Understand priority of orders
- Understand time priority
- Understand the correct input and handling of orders
- Understand settlement procedures
- Understand off-floor accommodations and the necessary reporting obligations
- Understand when and why a trading rotation and fast markets will be utilized

5.1 Order Entry Parameters

BOX Trading Rules
- Chapter V, Section 14 — Order entry
- Chapter V, Section 15 — Audit trail

CBOE Rules
- Rule 6.53 — Certain types of orders defined
- Rule 6.53C — Complex orders on the hybrid system

C2 Rules
- Rule 6.10 — Order types defined

ISE Rules
- Rule 712(a) — Order identification

NASDAQ OMX PHLX Rules
- Rule 1080 — PHLX XL and PHLX XL II
- Rule 3305 (PSX) — Order entry parameters

NASDAQ OMX BX Rules
- Rule 4755 — Order entry parameters

NASDAQ Options Market Rules
- Chapter VI — Section 7 — Entry and display of orders

NYSE Amex Rules
- Rule 955NY — Order format and system entry requirements

NYSE Arca Rules
- Rule 6.67 — Order format and system entry requirements
5.1.1 Entry and Display of Quotes and Orders

Entry of quotes and orders
Display of quotes and orders
Non-displayed orders
Quoting obligations of market makers
Handling of large orders
  Reserve size
Trading in actual shares
  Round lots
  Odd lots
  Mixed lots
Locked and crossed markets

BOX Trading Rules
  Chapter VI, Section 5 — Obligations of market makers
  Chapter XII — Order protection; locked and crossed markets
CBOE Rules
  Rule 6.13 — CBOE hybrid system automatic execution feature
  Rule 6.41 — Meaning of premium bids and offers
  Rule 6.42 — Minimum increments for bids and offers
  Rule 6.43 — Manner of bidding and offering
  Rule 8.51 — Firm disseminated market quotes
  Rule 8.7 — Obligations of market-makers
  Rule 8.18 — Quote risk monitor mechanism
  Rule 8.85 — DPM obligations
  Rule 6.81 — Order protection
  Rule 6.82 — Locked and crossed markets
C2 Rules
  Rule 6.2 — Unit of trading
  Rule 6.3 — Meaning of premium bids and offers
  Rule 6.4 — Minimum increments for bids and offers
  Rule 6.50 — Contract made on acceptance of bid or offer
  Rule 8.5 — Obligations of market-makers
  Rule 8.6 — Market-maker firm quotes
CBSX Rules
  Rule 52.6 — Processing of round lot orders
  Rule 52.7 — Sweeping – Trading through away markets
  Rule 52.8 — Processing of odd lots
  Rule 52.12 — Locking or crossing quotations in NMS stocks
  Rule 52.13 — Firm quotations
CHX Rules
  Article 20 — Rule 4 — Eligible orders
  Article 20 — Rule 5 — Prevention of trade throughs
  Article 20 — Rule 6 — Locked and crossed markets
ISE Rules
   Rule 711 — Acceptance of quotes and orders
   Rule 713 — Priority of quotes and orders
   Rule 717 — Limitations on orders
   Rule 803 — Obligations of market makers
   Rule 904 — Market maker quotes and orders
   Rule 1901 — Order protection
   Rule 1902 — Locked and crossed markets

NASDAQ OMX PHLX Rules
   Rule 1014 — Obligations and restrictions applicable to registered options traders and specialists
   Rule 1082 — Firm quotations
   Rule 1083 — Order protection; locked and crossed markets
   Rule 3213 (PSX) — Orders and locked and crossed markets
   Rule 3306 (PSX) — Entry and display of orders

NASDAQ Stock Market Rules
   Rule 4613 — Market maker obligations
   Rule 4756 — Entry and display of quotes and orders

NASDAQ OMX BX Rules
   Rule 4756 — Entry and display of quotes and orders

NASDAQ Options Market Rules
   Chapter VI, Section 7 — Entry and display of orders
   Chapter VII — Section 5 — Obligations of market makers
   Chapter XII — Options order protection and locked and crossed markets

NYSE Amex Rules
   Rule 935NY — Order exposure requirements
   Rule 964NY — Display, priority and order allocation

NYSE Arca Rules
   Rule 6.76 — Order taking and display
   Rule 6.95 — Locked and crossed markets
   Rule 7.36 — Order ranking and display

5.1.2 Trading Rotation
   Opening
   Closing
      Business day prior to expiration
   Intra-day
      Re-open after halt

   BOX Trading Rules
      Chapter V, Section 9 — Opening the market
      Chapter XIV, Section 9 — Trading sessions

   CBOE Rules
      Rule 6.2 — Trading rotations
      Rule 6.2B — Hybrid Opening System (“HOSS”)
C2 Rules
   Rule 6.11 — Openings (and sometimes closings)
CBSX Rules
   Rule 52.2 — Opening procedures

ISE Rules
   Rule 701 — Trading rotations

NASDAQ OMX PHLX Rules
   Rule 1017 — Openings in options
   Rule 1047 — Trading rotations, halts and suspensions
   Rule 3302 (PSX) — Opening process

NASDAQ Stock Market Rules
   Rule 4752 — Opening Process
   Rule 4753 — NASDAQ halt and imbalance crosses
   Rule 4754 — NASDAQ closing cross

NASDAQ OMX BX Rules
   Rule 4752 — Opening Process

NASDAQ Options Market Rules
   Chapter VI — Section 8 — NASDAQ opening cross

NSX Rules
   Rule 12.10 — Best execution
   Rule 12.11 — Trading suspensions

NYSE Amex Rules
   Rule 952NY — Trading auctions

NYSE Arca Rules
   Rule 6.64 — Trading auctions

5.1.3 Fast Markets and Trading Halts

BOX Trading Rules
   Chapter V, Section 10 — Trading halts
   Chapter V, Section 11 — Resumption of trading after a halt
   Chapter V, Section 12 — Trading halts due to extraordinary market volatility

CBOE Rules
   Rule 6.3 — Trading halts
   Rule 6.3B — Market-wide trading halts due to extraordinary market volatility
   Rule 6.6 — Unusual market conditions

C2 Rules
   Rule 6.32 — Trading halts
   Rule 6.33 — Authority to take action under emergency conditions

CBSX Rules
   Rule 52.3 — Unusual market conditions

CHX Rules
   Article 20 — Rule 2 — Trading halts due to extraordinary market volatility

ISE Rules
   Rule 702 — Trading halts
   Rule 703 — Trading halts due to extraordinary market volatility
NASDAQ OMX PHLX Rules
   Rule 133 — Trading halts due to extraordinary market volatility
   Rule 136 — Trading halts in certain exchange traded funds
   Rule 1047 — Trading rotations, halts and suspensions
   Rule 1047A (index options) — Trading rotations, halts or re-openings
   Rule 1080 — PHLX XL and PHLX II
   Rule 3100 (PSX) — Trading halts on PSX
NASDAQ Stock Market Rules
   Rule 4120 — Trading halts
   Rule 4121 — Market closings
NASDAQ OMX BX Rules
   Rule 4120 — Trading halts
   Rule 4121 — Market closings
NASDAQ Options Market Rules
   Chapter V — Section 3 — Trading halts
   Chapter V — Section 4 — Resumption of trading after a halt
   Chapter V — Section 5 — Unusual market conditions
NSX Rules
   Rule 11.20 — Trading halts and pauses
NYSE Amex Rules
   Rule 953NY — Trading halts and suspensions
NYSE Arca Rules
   Rule 6.65 — Trading halts and suspensions

5.1.4 Book Processing
   Quote decrementation
   Order execution algorithm
      Price/time

CBOE Rules
   Rule 6.45 — Priority of bids and offers — Allocation of trades
   Rule 6.81 — Order protection
   Rule 7.4 — Obligations for orders
   Rule 7.7 — Displaying bids and offers in the book
ISE Rules
   Rule 713 — Priority of bids and offers
NASDAQ OMX PHLX Rules
   Rule 1014 — Restrictions and obligations applicable to specialists and
      registered options traders
   Rule 1019 — Precedence accorded to orders entrusted to specialists
   Rule 1080 — PHLX XL and PHLX XL II
   Rule 1082 — Firm quotations
NASDAQ Stock Market Rules
   Rule 4757 — Book processing
NASDAQ Options Market
   Chapter VI, Sec. 10 — Book processing
5.1.5 Market Hours

Normal Business Hours
Pre-market hours
Extended hours

BOX Trading Rules
    Chapter V, Section 3 — Days and hours of business
    Chapter XIV, Section 9 — Trading sessions

CBOE Rules
    Rule 6.1 — Days and hours of business

C2 Rules
    Rule 6.1 — Days and hours of business

CBSX Rules
    Rule 51.2 — Days and hours of business

CHX Rules
    Article 20, Rule 1 — Trading sessions

ISE Rules
    Rule 700 — Days and hours of business

NASDAQ OMX PHLX Rules
    Rule 101 — Hours
    Rule 3217 (PSX) — Normal business hours

NASDAQ Stock Market Rules
    Rule 4617 — Normal business hours

NASDAQ OMX BX Rules
    Rule 4617 — Normal business hours

NASDAQ Options Market Rules
    Chapter XIV — Section 10 — Trading sessions

NSX Rules
    Rule 11.1 — Hours of trading

NYSE Amex Rules
    Rule 901NY — Trading sessions

NYSE Arca Rules
    Rule 5.20 — Trading sessions
    Rule 5.79 — Trading sessions
    Rule 7.1 — Trading sessions
    Rule 7.1 — Hours of business
    Rule 7.34 — Trading sessions
5.1.6 Order Routing

BOX Trading Rules
Chapter XII, Section 5 — Order routing to away exchanges

CBOE Rules
Rule 6.53 — Certain types of orders defined
Rule 6.53C — Complex orders on the hybrid system

C2 Rules
Rule 6.10 — Order types defined

CBSX Rules
Rule 52.10 — Order routing to other trading centers

CHX Rules
Article 1, Rule 2 — Order types and conditions

ISE Rules
Rule 803(c)(2) — Obligations of primary market makers

NASDAQ OMX PHLX Rules
Rule 1080(m)

NASDAQ Stock Market Rules
Rule 4758 — Order routing

NASDAQ Options Market Rules
Chapter VI — Section 11 — Order routing

NYSE Amex Rules
Rule 900.3NY — Orders defined

NYSE Arca Rules
Rule 6.62 — Certain types of orders defined
Rule 6.76A — Order execution

5.1.7 Anonymity

CBOE Rules
Rule 7.8 — Disclosure of orders

NASDAQ OMX PHLX Rules
Rule 3310 (PSX) — Anonymity

NASDAQ Stock Market Rules
Rule 4760 — Anonymity

NASDAQ OMX BX Rules
Rule 4760 — Anonymity

NASDAQ Options Market
Chapter VI, Section 12 — Anonymity

5.1.8 Adjustment of Open Quotes and/or Orders

CBOE Rules
Rule 6.25 — Nullification and adjustment of options transactions

C2 Rules
Rule 6.15 — Obvious error and catastrophic errors
Rule 6.16 — Price binding despite erroneous report
NASDAQ OMX PHLX Rules
   Rule 1038 — Open orders on “ex” date
   Rule 1092 — Obvious and catastrophic errors
NASDAQ Stock Market Rules
   Rule 4761 — Adjustment of open quotes and/or orders
NASDAQ OMX BX Rules
   Rule 3220 — Adjustment of open orders
NASDAQ Options Market Rules
   Chapter IV, Section 7 — Adjustments
   Chapter V, Section 6 — Obvious errors
NYSE Amex Rules
   Rule 132 — Price adjustment of open orders of “ex” date
NYSE Arca Rules
   Rule 6.12 — Open orders on “ex” date

5.2 Alternative Trading Systems
   CBOE Rules
      Rule 8.15 — Lead market-makers and supplemental market-makers in
                  hybrid 3.0 classes
      Rule 6.16 — Back-up trading arrangements
      Rule 6.17 — Authority to take action under emergency conditions
      Rule 6.18 — Disaster recovery facility

5.2.1 SEC Regulation ATS
   Rule 300 — Definitions
   Rule 301 — Requirements for alternative trading systems
   Rule 302 — Recordkeeping requirements for alternative trading systems
   Rule 303 — Record preservation requirements for alternative trading systems

5.3 Trade Reporting Facilities

5.3.1 Function of the Trade Reporting Facility

5.3.2 Trade Reporting Participation Requirements
   Mandatory participation for clearing agency members
   Participant obligations
      Access
      System participant obligations
      Clearing broker obligations

5.3.3 When and How Transactions are Reported
   Hours for trade reporting
   Capacity

5.3.4 Which Party Reports a Transaction
   Executing party standards
5.3.5 Information to be Reported

5.3.6 Procedures for Reporting Price and Volume

BOX Trading Rules
Chapter V, Section 3 — Days and hours of business

CBOE Rules
Rule 6.1 — Days and hours of business
Rule 6.52 — Reporting duties
Rule 6.58 — Submission of trade information to the exchange

C2 Rules
Rule 6.1 — Days and hours of business
Rule 6.37 — Reporting of trade information

CHX Rules
Article 11, Rule 3 — Records of orders and executions
Article 11, Rule 4 — Participant communications

CHX Rules
Rule 11.16 — Trade execution and reporting

5.3.7 Trade Report Processing

Trade-by-trade match
Trade acceptance
Aggregate volume match
T+N trade processing

CBOE Rules
Rule 6.50 — Submission for clearance
Rule 6.60 — Unmatched trade reports
Rule 6.61 — Reconciliation and resolution of unmatched trades
Rule 6.63 — Reporting of matched trades to clearing corporation

C2 Rules
Rule 6.37 — Reporting of trade information

5.3.8 Order Audit Trail System (OATS)

NASDAQ OMX PHLX Rules
Rule 3400 (PSX) — Order Audit Trail System

NASDAQ Stock Market Rules
Rule 6950 — Order Audit Trail System

NASDAQ OMX BX Rules
Rule 6950 — Order Audit Trail System

5.3.9 Consolidated Options Audit Trail (COATS)
5.3.10  Best Execution and Inter-positioning

CBOE Rules
- Rule 6.45 — Priority of bids and offers — Allocation of trades
- Rule 6.81 — Order protection
- Rule 6.82 — Locked and crossed markets
- Rule 8.51 — Firm disseminated market quotes

C2 Rules
- Rule 6.12 — Order execution and priority
- Rule 6.50 — Order exposure requirement

Section E – Inter-market linkage

NASDAQ OMX PHLX Rules
- Rule 764 — Best execution and inter-positioning

NASDAQ Stock Market Rules
- Rule 2320 — Best execution and inter-positioning

NASDAQ OMX BX Rules
- Rule 2320 — Best execution and inter-positioning

NSX Rules
- Rule 12.6 — Customer policy
- Rule 12.10 — Best execution

NYSE Amex Rules
- Rule 995NY — Prohibited conduct

NYSE Arca Rules
- Rule 6.47 — Crossing orders
- Rule 6.2 — Prohibited acts

5.3.11  Prohibition on Payments for Market Making

Payment for order flow
Liquidity rebates
Rebates for market making

5.3.12  Order Entry and Execution Practices

CBOE Rules
- Rule 6.24 — Required order information
- Rule 6.25 — Nullification and adjustment of options transactions
- Rule 6.45 — Priority of bids and offers – Allocation of trades
- Rule 6.45A — Priority and allocation of equity option trades on the CBOE hybrid system
- Rule 6.45B — Priority and allocation of trades in index options and options on ETFs on the CBOE hybrid system
- Rule 6.74 — Crossing orders
- Rule 6.74A — Automated Improvement Mechanism (AIM)
- Rule 6.74B — Solicitation auction mechanism
- Rule 6.9 — Solicited transactions
- Rule 8.87 — Participation entitlements of DPMs and e-DPM
C2 Rules
  Rule 6.12 — Order execution and priority
  Rule 6.13 — Complex order execution
  Rule 6.14 — SAL
  Rule 6.15 — Obvious error and catastrophic error
  Rule 6.50 — Order exposure requirement
  Rule 6.51 — Automated Improvement Mechanism (AIM)
  Rule 6.52 — Solicitation auction mechanism

ISE Rules
  Rule 711 — Acceptance of quotes and orders
  Rule 713 — Priority of quotes and orders
  Rule 717 — Limitations on orders

NASDAQ OMX PHLX Rules
  Rule 1080 — PHLX XL and PHLX XL II
  Rule 3305 (PSX) — Order entry parameters

NASDAQ Stock Market Rules
  Rule 3380 — Order entry and execution practices

NASDAQ OMX BX Rules
  Rule 3380 — Order entry and execution practices

NASDAQ Options Market Rules
  Chapter VI, Section 6 — Acceptance of quotes and orders
  Chapter VI, Section 10 — Book processing

NSX Rules
  Rule 11.11 — Orders and modifiers
  Rule 11.13 — Proprietary and agency orders; modes of order interaction
  Rule 11.14 — Priority of orders
  Rule 11.15 — Order execution

NYSE Amex Rules
  Rule 955NY — Order format and system entry requirements

NYSE Arca Equities Rules
  Rule 7.32 — Order entry

NYSE Arca Options Rules
  Rule 6.67 — Order format and system entry requirements