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Boston Stock Exchange, Inc.

2005 BOARD LEVEL COMMITTEES

BOXR BOARD OF GOVERNORS

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ROBERT P. MAZZARELLA Protagent, Inc.
BRUCE K. NEWELL Pershing Trading Company, L.P.

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GARY MONSERUD New England School of Law
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VIRGINIA TIERNEY
ROBERT TRAYLOR                      UBS Warburg, LLC
THEODORE R. TURNER                 Walnut Street Securities, Inc.
MICHAEL UNGER                      Rubin and Rudman LLP
ROBERT VOLK                        Boston University School of Law

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DEBORAH C. JACKSON                 American Red Cross of Massachusetts Bay
DANIEL M. JOYCE                    Moors & Cabot, Inc.
THOMAS E. ROBERTS                  Pioneering Services Corporation

Staff Liaison:

COMPENSATION COMMITTEE

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S. JAMES COPPERSMITH               The Rasky/Baerlein Group
W. Robert Mudge                    Verizon

Staff Liaison: Amie Dawson; Michael J. Curran

EXECUTIVE COMMITTEE

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MICHAEL J. CURRAN (CH)             Boston Stock Exchange, Inc.
W. ROBERT MUDGE                      Verizon
BRUCE K. NEWELL                      Pershing Trading Co., L.P.
LEO J. SMITH

Staff Liaison: Anthony K. Stankiewicz

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GEORGE HESSLER                       Lava Trading
MARY McDERMOTT --HOLLAND             Franklin Portfolio Associates
CHRIS SCHARVER                       Commonwealth Financial, LLC

Staff Liaison: Kathy Marshall

GOVERNANCE COMMITTEE

Staff Liaison: Anthony K. Stankiewicz

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JAMES HILL                           Fidelity Capital Markets
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FRANK O’CONNOR                       Brown & Co. Securities Corp.
CHRIS SCHARVER                       Commonwealth Financial, LLC.
DAVID T. STEVENS                     Nutmeg Securities

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STOCK LIST COMMITTEE

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DAVID C. GOWELL Gowell Securities Corporation
SIDNEY HOFFMAN Cantella & Co., Inc.
JOEL F. JOHNSON Orchard Partners
JONATHAN R. KNOWLES Brown, Lisle, Cummings, Inc.
WILLIAM A. LOVELY

Staff Liaison: Anthony K. Stankiewicz

2005 NON-BOARD LEVEL COMMITTEES

Subcommittees of the Market Performance Committee

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WHIT CONARY Moors & Cabot, Inc.
JOE FOLEY National Financial Services, LLC
BRUCE NEWELL Pershing Trading Company, LP
CHRIS SCHARVER Commonwealth Financial, LLC

Staff Liaison: Yann L’Huillier

INSTITUTIONAL TRADER’S ADVISORY COMMITTEE

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THOMAS BRYANT State Street Global Markets, LLC
NEIL CONARY Moors & Cabot, Inc.
STEVE FLEMMING Schwab Capital Markets & Trading Group
SUSAN E. SHORT-GREEN Loomis-Sayles & Co., Inc.
WILLIAM HERBERT Fidelity Capital Markets
ARTHUR R. HOGAN III Jefferies & Company, Inc.
MICHAEL P. MCCCAULEY                  Pulse Trading, Inc.
MIKE MELLEY                           Prudential Securities Incorporated
MARK MINISTER                        Surgard Global
DAVID QUINLAN                        EZE Castle
JOHN QUINLAN                          Wellington Management
MICHAEL RYAN                         State Street Research & Mgmt Co., Inc.
DENIZ SAVAS                          Fleet Asset Management
HENRY SMITH                          GGET, LLC
THOMAS WARD                          Deutsche Bank Securities

Staff Liaison: Marybeth Shay

NATIONAL MARKET SYSTEM COMMITTEE

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EDWARD DOYLE                        Pershing Trading Company, L.P.
DAVID HUGHES                        Moors & Cabot
WILLIAM KLEINFELD                   Stone Securities Corporation
BRUCE NEWELL                         Pershing Trading Company, L.P.
CHRIS M. SCHARVER                    Commonwealth Financial, LLC
STEVE SMITH                          National Financial Services, LLC

Staff Liaison: Dan Ham

RULES REVISION COMMITTEE

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EDWARD DOYLE                         Pershing Trading Company, LP
CHRISTOPHER KICKHAM                  National Financial Services, LLC
KENNETH M. KING (CH)                 K & S, Inc.
CHRIS M. SCHARVER                     Commonwealth Financial, LLC

Staff Liaison:

2005 CONSTITUTIONAL COMMITTEES
HEARING COMMITTEE

C. RICHARD CARLSON                  PaineWebber, Incorporated
JOHN A. GOC (CH)                     Boston Institutional Services
EDWARD J. HUGHES                     Fechter, Detwiler & Co., Inc.
FRANCIS V. KNOX                      Fidelity Management & Research Co.
CYNTHIA MacDONALD                    Tower Square Securities Inc.
THEODORE R. TURNER                   Walnut Street Securities

Staff Liaison: Anthony K. Stankiewicz

NOMINATING COMMITTEE

KEITH J. GENTILE                     Pershing Trading Company, LP
JAMES SEGEL                          Smith, Segel & Sowalsky
STEVEN B. WORTH                      Moors & Cabot, Inc.

Staff Liaison: Anthony K. Stankiewicz

BOSTON STOCK EXCHANGE CLEARING CORPORATION OFFICERS

EXECUTIVE COMMITTEE

STEPHEN D. BARRETT                   Barrett Associates
NEIL W. CONARY                       Moors & Cabot
MICHAEL J. CURRAN                    Boston Stock Exchange, Inc.
BRUCE K. NEWELL                      Pershing Trading Co., L.P.
LEO J. SMITH

Constitution of the BSE, Inc.
Article I – Title – Object - Definitions
Sec. 1.

Title

The title of this Corporation shall be “Boston Stock Exchange, Incorporated.”
Constitution of the BSE, Inc.

Article I Title – Object – Definitions

Sec. 1. Title

The title of this Corporation shall be "Boston Stock Exchange, Incorporated."

Amended.
October 1, 1976.

CONSTITUTION, BSE ¶1002, Sec. 2. Object

Sec. 2. Object

The objectives of the corporation, as set forth in its Certificate of Incorporation, are as follows:

To provide and carry on the functions of an "exchange" within the meaning of that term in the Securities Exchange Act of 1934, as amended, including, without limiting the foregoing, the furnishing of exchange rooms and other facilities for the transaction of business as brokers and dealers by its members; the maintenance of high standards of commercial honor and integrity among its members; the promotion and inculcation of just and equitable principles of trade and business; the adjustment of controversies and misunderstandings between members arising out of transactions upon such exchange; and the fostering of the development of the securities industry and general business.

Amended.
October 1, 1976.

Sec. 3. Definitions

Unless the context requires otherwise, the terms defined in the Constitution apply to the Rules and vice versa.
(a) Associated Person or Person Associated

"Associated Person" or "Person Associated" with a "Member" or a "Broker or Dealer" shall have the meanings assigned to such terms pursuant to Sections 3(a)(21) and 3(a)(18), respectively, of the Securities Exchange Act of 1934.

(b) BOX

The term "BOX" means the Boston Options Exchange or Boston Stock Exchange Options Exchange, an options trading facility of the Exchange under Section 3(a)(2) of the Securities Exchange Act of 1934 ("Exchange Act" or "Act"), as defined in Chapter I, Section 1(6) of the Rules of the Boston Options Exchange Facility ("BOX Rules").

(c) BOX Options Participant

The term "BOX Options Participant" or "BOX Participant" means a firm or organization that is registered with the Exchange for the purposes of participating in options trading on BOX, as defined in Chapter I, Section 1(40) of the BOX Rules.

(d) BOXR

The term "BOXR" means Boston Options Exchange Regulation LLC, a wholly owned subsidiary of the Exchange, as defined in Chapter I, Section 1(9) of the BOX Rules.

(e) BOXR Board

The term "BOXR Board" means the Board of Directors of BOXR, as defined in Chapter I, Section 1(5) of the BOX Rules.

(f) BOXR Nominating Committee

The term "BOXR Nominating Committee" means the Nominating Committee of BOXR, as provided for in Section 14(e) of the Boston Options Exchange Regulation LLC By-Laws.

(g) Electronic Access Member ("EAM")

The term "Electronic Access Member", or "EAM", means a natural person who is a member of the Exchange for the purposes of being treated as such under the Constitution and Rules of the Exchange, except that the following provisions of the Constitution shall not apply to EAMs: Article IX, Sections 1 and 2; Article XI, Sections 1-8, 12-13; and Article XVII in its entirety. EAMs shall vote in the same capacity as other BSE members, except with respect to Exchange ownership
matters, specifically those matters related to mergers, consolidations, dissolution, liquidation, transfer, or conversion of the assets of the Exchange. EAMs hold non-transferable permits to represent equity customer orders as agent or to conduct trading as a specialist on the Exchange.

(h) Membership

The term "membership" refers to the members of the Exchange, and does not refer to the allied members.

(i) Member

The term "Member" means a natural person who is a Member of the Exchange in accordance with Article IX and includes within its meaning an EAM or allied member of the Exchange except that the following provisions of the Constitution shall not apply to EAMs: Article IX, Sections 1 and 2; Article XI, Sections 1-8, 12-13; and Article XVII in its entirety. EAMs shall vote in the same capacity as BSE Members, except with respect to Exchange ownership matters, specifically those matters related to mergers, consolidations, dissolution, liquidation, transfer, or conversion of the assets of the Exchange. A member may be associated as a member with no more than one member firm or member corporation.

(j) Member Organization

The term "Member Organization" means any broker or dealer which is a Member Firm or Member Corporation of the Exchange which qualifies as a Member Organization in accordance with Article IX, Section 4 hereof. If a member organization is a partnership, it may be referred to as a "Member Firm" and, if a corporation, as a "Member Corporation".

(k) Allied Member

The term "allied member" means a natural person who is:

i) a general partner in a member-firm, or an employee who controls such member firm but who is not a member of the Exchange, or

ii) an employee of a member corporation who is not a member of the Exchange, and who

a. one of the persons elected to administer the affairs of the corporation, or
b. a person who controls such corporation.

(l) Non-member

The term "non-member" means any person not a member, allied member or member organization.

(m) Exchange and Board of Governors

The terms "Exchange" and "Board of Governors" shall, whenever appropriate, include or mean the Chairman, any other officer or employee or any committee to whom the Board of Governors shall have delegated any of its powers or duties.

(n) Publicly Held Security

The term "publicly held security" means any class of equity security issued by a member corporation which is owned beneficially by one hundred or more persons who are not members, allied members or employees of the member corporation.

(o) Voting Stock

The term "voting stock" means stock in a member corporation the holders of which are entitled to vote for the election of the directors of such corporation.

(p) Non-voting Stock

The term "non-voting stock" means stock of any class in a corporation other than voting stock.

(q) Rules of the Exchange or Rules of the Board of Governors

The term "Rules of the Exchange" or "Rules of the Board of Governors" shall refer to Rules of the Board of Governors adopted pursuant to the provisions of this Constitution.

Amended.

June 3, 1976.

June 25, 1980.

Article II Board of Governors

Sec. 1. Composition of Board

The government of the Exchange shall be vested in a Board of Governors composed of the Chairman, Vice Chairman and twenty others, ten of whom shall be representatives from the securities industry and ten of whom shall be representatives of the public. Of the ten securities industry representatives, all must represent broker-dealer members of the Exchange, at least one shall represent BOX Participants, and at least five shall represent firms active on the trading floor (each of whom may satisfy more than one of these criteria). Of the floor representation, two must be active as specialists. Of the ten representatives of the public, at least five shall be from financial institutions not directly associated with a member organization or broker-dealer, and at least one shall be an officer or director of a company which has a class of stock listed on the Exchange.

The Chairman shall be appointed by the Board of Governors to serve at its pleasure. The Vice Chairman shall be a representative from a member organization and shall be elected to serve a one year term. Neither the Chairman nor the listed company representative shall be associated with a member of the Exchange or a broker or dealer. All are to be elected in the manner hereinafter provided, except no governor other than the Chairman and the Vice Chairman may serve more than four consecutive terms.

Amended.

August 28, 1981.
December 12, 1989.
July 10, 1990
January 14, 2004

Sec. 2. Non-Member Governors

Each non-member of the Exchange elected to the Board of Governors shall, by the acceptance of the position of governor, be deemed to have agreed to uphold the Constitution of the Exchange. Each allied member and non-member elected to the Board of Governors shall have the right to go upon the Floor of the Exchange but shall not have the right to transact business thereon and shall have only such other rights as are specifically granted to Governors by the Constitution.
Adopted.

Sec. 3. General Powers

The Board of Governors shall be vested with all powers necessary for the government of the Exchange, the regulation of business, the administration of the regulatory functions of the Exchange and the business conduct of its members, allied members, member firms and member corporations and the promotion of the welfare, objects and purposes of the Exchange. In the exercise of its powers it may adopt such rules, issue such orders and directions, and make such decisions as it may deem appropriate.

Amended.
March 7, 2006.

Sec. 4. Specific Powers

The Board of Governors, in furtherance of its powers specified in Section 1 of this Article, shall entertain appeals from the decisions of the Market Performance Committee and may hold hearings on any such appeal; shall have the entire control of the property and finances of the Exchange; including the authority to purchase and cancel memberships in the Exchange, shall fix the amount of fees and compensation, if any, to be paid to any member of the Board or of any other committee; and shall fix dues, fees, assessments and other charges to be paid by members, allied members, member firms and member corporations. It shall regulate the making and performance of Exchange contracts; transactions on the Exchange; access to and conduct upon the floor of the Exchange and the use of Exchange facilities; the formation, continuance and interests of members in member firms and corporations; business conduct; capital requirements and insolvency of members, member firms and member corporations; arbitration procedures; transfers of memberships and disposition of the proceeds of the sale of such memberships; the listing and delisting of and the suspension of trading in securities on the Exchange; activities of specialists and odd lot dealers; matters relating to quotations and price reports; use of ticker services; and means of communication with non-members. It may examine the financial condition and business conduct of members, member firms and member corporations and business conduct of allied members and may require any member, allied member or officer or employee of any member firm or corporation to appear before it to testify as to such financial condition or business conduct; may require that transactions in securities admitted to dealing on the Exchange be executed on the Exchange; may credit a portion of the income of the Exchange for any current year to the members proportionately in settlement of the contribution which members are obligated to make in connection with the Gratuity Fund of the Exchange; and may require that officers, appointees or employees of the Exchange give good and sufficient bonds for the faithful performance of their duties.

The Board may authorize any officer, on behalf of the Exchange, subject to the approval of the Board, to enter into one or more agreements with another self-regulatory organization to provide
regulatory services to the Exchange to assist the Exchange in discharging its obligations under Section 6 and Section 19(g) of the Securities Exchange Act of 1934. Any action taken by another self-regulatory organization, or its employees or authorized agents, acting on behalf of the Exchange pursuant to a regulatory services agreement shall be deemed to be an action taken by the Exchange; provided, however, that nothing in this provision shall affect the oversight of such other self-regulatory organization by the Securities and Exchange Commission. Notwithstanding the fact that the Exchange may enter into one or more regulatory services agreements, the Exchange shall retain ultimate legal responsibility for, and control of, its self-regulatory responsibilities, and any such regulatory services agreement shall so provide.

At the Board of Governors' next meeting after the BOXR Nominating Committee presents its candidates for the two positions reserved on the BOXR Board for representatives of BOX Participants, and its candidate for the position on the BSE Board of Governors reserved for a representative of BOX Participants, in October of each year, the Board of Governors shall select and appoint the Board of Directors of BOXR for the following year, as set forth in the Plan of Delegation of Functions and Authority by the Boston Stock Exchange, Inc. to Boston Options Exchange Regulation, L.L.C., and in accordance with the qualification provisions set forth in Section 4 of the By-Laws of Boston Options Exchange Regulation, L.L.C., including the appointment of the candidates presented by the BOXR Nominating Committee for the two BOXR Board positions reserved for representatives of BOX Participants. The Board of Governors shall also select and appoint as Governor the candidate put forth by the BOXR Nominating Committee for the position on the Board of Governors reserved for a representative of BOX Participants. Additionally, the Board of Governors shall appoint the initial Board of Directors of BOXR, in accordance with the term provisions set forth in Section 5 of the By-Laws of Boston Options Exchange Regulation, L.L.C., and the number of Directors provisions set forth in Section 3 of the By-Laws of Boston Options Exchange Regulation, L.L.C.

Amended.


February 14, 2006.

Sec. 5.

Procedural Powers

The Board of Governors shall determine the manner and form by which its proceedings shall be conducted. It shall designate committees and vote on whether to approve the appointments by the Chairman of members thereof, except with respect to the Nominating Committee, and it shall have original and supervisory jurisdiction over all matters referred to any such committees except the Nominating Committee. It shall appoint a Chairman for such term as the Board may fix and shall delegate, in addition to the powers expressly granted to him by this Constitution, such of its powers as it shall from time to time determine in order that the Chairman may carry out his duties as specified by the Board to, among other things, effectively oversee the regulatory affairs of the Exchange. It shall make rules with respect to the matters within its authority and may prescribe penalties for the violation of such rules, of any orders, directions or decisions of the Board, or of any provision of this Constitution where no penalty is otherwise specified.

The Board shall have the power to determine when to conduct proceedings in executive session. Executive session proceedings shall be commenced for matters involving the regulation of the Exchange, the compensation of the Chairman, Exchange staff personnel matters, or any other matter which the Board determines to require confidential and sensitive treatment. The Chairman
shall be required to recuse himself from any executive session proceedings involving personnel or compensation issues of the Chairman. The Chief Executive Officer shall not participate in executive sessions of the Board (See, also, Article III, Section 1).

Amended.
August 28, 1981.

Sec. 6. Delegation of Powers

The Board of Governors may delegate such of its powers as it may from time to time determine, subject to the provisions of the Constitution and applicable law, to such officers and employees of the Exchange and to such committees, composed either of Governors or otherwise, as the Board may from time to time authorize; provided, however, that a member, member organization, allied member or approved person affected by a decision of any officer, employee, or committee acting under powers delegated by the Board may require a review by the Board of such decision, by filing with the Secretary of the Exchange a written demand therefor within 10 days after the decision has been rendered, except as otherwise provided in Article VII, Section 5 or the rules thereunder.

Adopted.

Sec. 7. Removal for Absence

A member of the Board of Governors who, unless excused by the Chairman, shall absent himself from three consecutive meetings of the Board, may by a vote of two-thirds of the members of the Board present at any meeting thereafter be declared no longer a member thereof.

Amended.

Sec. 8. Quorum

A majority of all the members of the Board of Governors in office shall constitute a quorum.

Amended.

Sec. 9. Filling Vacancies
All vacancies occurring in the office of Vice Chairman or in the Board of Governors shall be filled by the Chairman subject to the approval of the Board until the ensuing annual election. The Board shall approve the appointments of the Chairman to fill vacancies occurring in any other office.

**Amended.**

August 28, 1981.


**Sec. 10.**

**Special Meetings**

Special meetings of the Board of Governors may be called by the Chairman (or in his absence by the Vice Chairman) and must be called by the Chairman (or in his absence by the Vice Chairman) upon the written request of five Governors.

**Amended.**

August 28, 1981.


**Sec. 11.**

**Unanimous Action Without Meeting**

Any action required or permitted to be taken by the Board of Governors may be taken without a meeting if all members of the Board unanimously consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board shall be filed with the minutes of the proceedings of the Board. A consent document may be executed in multiple copies none of which need contain all of the required written consents if the aggregate of all such copies contains all the consents.

**Adopted.**


**Sec. 12.**

**Indemnification**

Each person (and his heirs, executors and administrators) who is or has been an Officer, Governor, member of any Committee authorized by the Constitution or Board of Governors, or employee of the Exchange or of any corporation a controlling interest in which is owned by the Exchange, shall be indemnified by the Exchange against reasonable costs and expenses incurred by him in connection with any claim or in connection with any action, suit or proceeding whether judicial, administrative or otherwise, to which he may be made a party by reason of his being or having been employed in any such capacity, except in relation to any action, suit or proceeding in which he has been adjudged liable because of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office. In the absence of an adjudication which expressly absolves any such person of liability to the Exchange for willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the
Article III Chairman – Chief Executive Officer

Sec. 1.

Chairman – Chief Executive Officer

The Chairman of the Board of Governors may be the Chief Executive Officer of the Exchange, responsible to the Board for the management of its business affairs. The Chairman shall be appointed by the Board of Governors to serve at its pleasure and for such compensation as it may from time to time fix. The Board may, in its discretion, appoint a separate Chief Executive Officer of the Exchange. If the Board appoints a separate Chief Executive Officer, the Chairman shall also be an executive officer of the Exchange. The Chairman and Chief Executive Officer, whether the same or separate persons, shall have such duties and authority as shall be delegated to them by the Board from time to time, as the Board determines. If the Chairman is not the same person as the Chief Executive Officer, the Chairman would, among other duties, 1) preside over all meetings of the Board; 2) be responsible to the Board for the management of the BSE’s regulatory affairs; 3) be responsible for the management of the regulatory affairs of all exchange facilities, subsidiaries, or other legal entities to which the Exchange is a party; and, 4) act as Board liaison to the Exchange's Chief Executive Officer and management. The Chief Executive Officer, if not the same person as the Chairman, would, among other duties, 1) be responsible for the management and administration of the affairs of the Exchange’s marketplace functions; 2) not participate in executive sessions of the Board; and, 3) be subject to the authority of the Board. If the Chairman and Chief Executive Officer are the same person, that person would, among other duties, 1) preside over all meetings of the Board; 2) be responsible to the Board for the management of the BSE’s regulatory affairs; 3) be responsible for the management of the regulatory affairs of all exchange facilities, subsidiaries, or other legal entities to which the Exchange is a party; 4) be responsible for the management and administration of the affairs of the Exchange’s marketplace functions; and, 5) be subject to the authority of the Board.

When a single individual serves as both the Chairman and Chief Executive Officer, that individual shall not participate in executive sessions of the Board and the Board shall designate a lead director to preside over executive sessions. The Board shall also publicly disclose the lead director’s name and a means by which interested parties may communicate with the lead director.

The Chairman shall be the presiding officer of the Board of Governors, and shall preside at meetings of the Exchange. The Chairman shall have the power to appoint, dismiss, and fix the compensation of all officers (except the Chief Executive Officer and Vice Chairman) and employees of the Exchange.

The Chairman shall not engage in any other business during his incumbency except with the approval of the Board. The Chairman shall, with the Vice Chairman, subject to the approval of the Board, appoint the members of and fill vacancies in all committees of the Exchange, except the Nominating Committee. The Chairman shall be a member, ex officio, of all committees of the
Exchange except the Nominating Committee and the Audit Committee. On any appeal to the Board of Governors or any committee from a decision of the Chairman, the Chairman shall not participate in the appeal proceedings except as required by the Board or any such committee.

The Chairman of the Board after taking office shall not be a member of the Exchange or a partner, officer, voting stockholder, or person associated with a member organization of the Exchange, or a broker or dealer, and if the Chairman holds such a position prior to the appointment, the Chairman shall terminate such position under conditions approved by the Board of Governors.

Amended.

August 28, 1981.


Sec. 2.

Appointment of Officers

Subject to the approval of the Board of Governors, the Chairman of the Board may appoint a President, one or more Executive Vice Presidents, Vice Presidents, a Treasurer, a Secretary, a General Counsel and such other officers of the Exchange, other than the Vice Chairman of the Board, as the Chairman may determine are required for the efficient management and operation of the Exchange, and the Chairman shall fix the duties, responsibilities, terms and conditions of employment of such officers and, subject to like approval, the Chairman may terminate their employment at any time. All such officers shall be responsible to the Chairman for the proper performance of their duties.

Adopted.


Sec. 3.

Appointment of Employees

The Chairman of the Board shall have the power to appoint all other employees of the Exchange and to fix the duties, responsibilities, terms and conditions of their employment and to terminate their employment at any time.

Adopted.


Sec. 4.

Vice Chairman

The Vice Chairman shall be a representative of a member organization of the Exchange and shall be elected by the members of the Exchange at the annual meeting for a term of one year and until a successor is elected and qualified. In the absence of the Chairman or his inability to act, the Vice Chairman shall have all of the duties and authority of the Chairman. He shall also have such other duties and authority as may be delegated to him by the Board of Governors.
Article IV Treasurer

Sec. 1. Duties

It shall be the duty of the Treasurer to receive, take charge of and disburse moneys of the Exchange.

He shall present to the Board of Governors at its first regular meeting in November of each year a report of the receipts, expenditures and funds of the Exchange for the twelve months ending September 30 preceding, and make similar reports to the Board as it deems necessary.

Amended.


Article V Secretary

Sec. 1. Duties

It shall be the duty of the Secretary to keep a record of all proceedings of the Exchange and of the Board of Governors.

Amended.


Article VI Annual Meeting – Annual Election

Sec. 1. Date --Election

The annual meeting of the Exchange shall be held on the last Monday of November, on the premises of the Exchange. On the same day, the annual election shall be held in the same place, at which time there shall be elected by secret ballot a Vice Chairman, who shall hold office for the ensuing calendar year, and ten members of the Board of Governors elected in odd-numbered years and ten members of the Board of Governors elected in even-numbered years who shall hold office for the two calendar years ensuing, and also members to fill any vacancies for unexpired terms.

Amended.


July 20, 1976.

August 28, 1981.

Sec. 2. **Nominating Committee**

There shall also be elected by ballot six persons to serve on a Nominating Committee which shall consist of a total of seven persons, five of whom shall represent broker-dealer member organizations of the Exchange, and two of whom shall be public representatives. At least two, but not more than three, members of the Committee shall be Floor members, and at least one of these must be a specialist. Additionally, the Vice Chairman of the Board of Governors may appoint one existing Governor to the Nominating Committee to serve for a one-year term, except such Governor shall not be eligible for reelection to the Board unless such Governor is serving the first year of a two-year term. All other members of the Committee shall be elected to serve a term of two years. No member of the Committee shall be eligible to serve two consecutive terms, and any vacancy on the Committee may be filled until the next annual election by a majority vote of the remaining members. The Committee shall elect its own Chairman, and shall be broadly representative of the membership of the Exchange. To the extent possible, it should include a sole and dual member organization representative of the Exchange and a representative of a member organization engaged in the retail business.

**Adopted.**

July 20, 1976.

**Amended.**

June 20, 1990.

Sec. 3. **Voting**

In each case the nominee receiving the highest number of votes for any office or position shall be declared elected thereto. Voting by members shall be by secret ballot, which may be delivered in person or by mail.

**Adopted.**

July 20, 1976.

**Amended.**


Sec. 4. **Meetings of Nominating Committee --Reports**

(a) The Nominating Committee shall hold at least one meeting in the month of June, at which time the committee shall elect its own Chairman. The Chairman shall designate a date in the month of July, due notice of which shall be posted on the Trading Floor Bulletin Boards and sent to the members of the Exchange, inviting them to attend said meeting for the purpose of suggesting nominees for the offices and positions which are to be filled at the annual election,
and for members of the Nominating Committee for the ensuing calendar year. Such Committee shall notify the Secretary of the Exchange, on or before the second Monday in October, of the nominees for such offices, positions and members of the Nominating Committee. The names of nominees shall be posted forthwith on the Trading Floor Bulletin Boards in the Exchange and sent to the members of the Exchange by the Secretary. The Secretary shall prepare ballots reflecting such nominees for use in the annual election.

(b) Independent nominations

On the written and signed petition of fifteen members of the Exchange additional nominations may be made for the office of Vice Chairman, members of the Board of Governors or members of the Nominating Committee to be elected at the annual election. These nominations shall be filed with the Secretary of the Exchange on or before the last Monday in August and forthwith posted on the Trading Floor Bulletin Board in the Exchange. The ballots as prepared by the Secretary shall include such nominations.

(c) No person shall be a candidate for election to any office at the annual election who is not nominated in accordance with the provisions of this Section.

(d) Notice of annual meeting and election

Notice of the annual meeting and election of the Exchange shall be mailed or delivered to each member at his business address registered with the Exchange by the Secretary (or in his absence by an Officer appointed by the Chairman) not more than twenty-five nor less than twenty days before the meeting. Such notice shall specify the time of the meeting and election, the persons nominated (both by the Nominating Committee and by petition of members) and any other business to come before the meeting.

●●●Supplementary Material: ...

.10 The terms of office will begin on January 1 of each year. In order to facilitate the changes to the Constitution regarding the annual election and the assumption of office by the new Governors and Nominating Committee members, the following shall apply:

(a) the terms of all Governors and Nominating Committee members that are due to expire on September 30, 1993 shall be extended until December 31, 1993.

(b) the terms of all Governors and Nominating Committee members that are due to expire on September 30, 1994 shall be extended until December 31, 1994.

Amended.

July 20, 1976.
Sec. 5. Eligibility of Member for Position

No officer or employee of the Exchange shall be a member of the Exchange.

Renumbered.

July 20, 1976.

Amended.

August 28, 1981.

December 12, 1989.

Sec. 6. Vacancies Through Suspension or Expulsion

The suspension or expulsion of a member or allied member holding any office or position to which he has been elected or appointed shall create a vacancy therein, which shall be filled as elsewhere provided in this Constitution.

Renumbered.

June 20, 1976.

Amended.


Sec. 7. Special Meetings of Exchange

Special meetings of the Exchange may be called for any proper purpose by the Chairman (or in his absence by the Vice Chairman) and shall be so called upon the written request of fifteen members of the Exchange. A written notice of the time, place and purposes of any such meeting shall be mailed or delivered to each member at his business address registered with the Exchange by the Secretary (or in his absence by an officer appointed by the Chairman) at least seven business days before the meeting.

Renumbered.

June 20, 1976.

Amended.

Article VII Committees

Sec. 1. Appointments

The standing committees of the Exchange shall be the Nominating Committee, the Arbitration Committee, the Market Performance Committee, the Audit Committee, the Stock Allocation Committee and the Hearing Committee. There may also be an Executive Committee, as provided in Section 2 of this Article. The Board of Governors may from time to time appoint such other committees on such terms and conditions as it sees fit to carry out the business of the Exchange. Members of all committees, except the Nominating Committee, shall be designated by the Chairman with the approval of the Board of Governors. The Chairman shall also designate the chairman of each committee, except the Nominating Committee. The minutes of all meetings of standing committees shall be maintained and the Secretary shall maintain the minutes of Board Meetings. Except as otherwise provided in this Constitution, a committee of the Exchange may act without a meeting by filing written consents with the Secretary of its action, signed by all of its members.

Amended.


August 28, 1981.


Sec. 2. Executive Committee

The Board of Governors may designate an Executive Committee of not less than five members of the Board, two of whom shall be the Chairman and Vice Chairman, which shall have such powers as the Board shall delegate to it, and between meetings of the Board it may be given all the rights, powers, authority, duties and obligations of the Board not otherwise delegated to another committee or an officer of the Exchange by this Constitution, or the rules or the Board, except authority to propose amendments to the Constitution.

Amended.


Sec. 3 Arbitration Committee

Promptly after the annual election of the Exchange, the Chairman of the Board of Governors shall, subject to the approval of the Board of Governors, designate one of the officers or employees of the Exchange as Arbitration Director and appoint a Board of Arbitration to be composed of such number of members and allied members of the Exchange who are not members of the Board of Governors and such number of persons who are not engaged in the securities business as the Chairman of the Board shall deem necessary, to serve at the pleasure of the Board of Governors, or until the next annual election of the Exchange and their successors are appointed and take office. The Arbitration Code is contained in Chapter XXXII of the Exchange Rules.
Sec. 4. **Market Performance Committee**

Promptly after the annual election of the Exchange, the Chairman of the Board of Governors shall appoint, subject to the approval of the Board of Governors, a Market Performance Committee which shall consist of thirteen persons from both on and off the Floor of which no more than seven members shall be from either group.

This committee shall have general supervision over members and member organizations, over all offices whether domestic or foreign and all persons employed by or associated with such members or member organizations. It shall have supervision over dealings by and facilities of members and their employees or agents on the Trading Floor and on the premises of the Exchange facility and, subject to the approval of the Board of Governors, it shall make and enforce such rules as it deems necessary for the efficient, convenient and orderly transaction of business on the Floor or for the health, safety, and welfare of persons working there. It shall have supervision over the location of equipment and the assignment and use of space on the Trading Floor. It shall have supervision over the enforcement of the provisions of the Constitution, the Rules of the Board of Governors and interpretations and stated policies adopted by the Exchange.

Amended.


August 28, 1981.


Sec. 5. **Hearing Committee**

Promptly after the annual meeting of the Exchange, the Chairman of the Board of Governors shall appoint, subject to the approval of the Board of Governors, a Hearing Committee composed of such number of members, allied members and non-members of the Exchange, none of whom shall be members of the Board of Governors, as the Chairman shall deem necessary. With respect to non-member representation, such individuals may be employees of members or member organizations or others knowledgeable in the financial services industry. This committee or any panel thereof shall have exclusive jurisdiction to conduct hearings on disciplinary proceedings brought by the Exchange against any member, member organization, or any partner, officer, director, or person employed by or associated with any member or member organization for alleged violation of the Securities Exchange Act of 1934, the Rules and Regulations thereunder, the Constitution or Rules of the Board of Governors, or the interpretations and stated policies of the Board required to be filed with the Commission.

If a member, member organization, or partner, officer, director, or person employed by or associated with any member or member organization is adjudged guilty in any disciplinary proceeding, the Committee or any panel thereof shall be empowered to impose one or more of
the following disciplinary sanctions: fine, censure, suspension, expulsion, limitation or termination as to activities, functions, operations or association with a member or member organization, or any other appropriate sanction with respect to each charge as to which guilt is determined. Any member, member organization, or partner, officer, director or person adjudged guilty in any disciplinary proceeding by the Committee or any panel thereof shall have the right to appeal such decision to the Board of Governors, and thereafter to the Securities and Exchange Commission.

The foregoing jurisdiction, function, and powers shall be exercised by the Committee in accordance with the provisions of the Rules of the Board of Governors.

Amended.


Sec. 6.

Audit Committee

At the first meeting of the Board of Governors following the annual meeting of the members, the Chairman, with the approval of the Board of Governors, shall appoint four persons to serve as the Audit Committee of the Exchange. Such persons must be selected from among members of the Board of Governors, Members of the Exchange or other qualified persons. Those persons who serve on the Audit Committee must not serve in a management capacity with the Exchange or any affiliate thereof and must be free of any other relationship that, in the opinion of the Governors, would interfere with the exercise of independent judgment.

The Audit Committee shall review and recommend to the Board the selection of the independent auditors; review the scope and general extent of their examination; review the significant audit procedures which will be used; and review the results of the independent audit, including financial statements and commentary letter.

The Committee will also oversee the system of internal accounting controls and direct and supervise investigations into any matter within the scope of its duties or brought to its attention, and report to the Board of Governors, from time to time, with respect to its duties.

Adopted.


Amended.


Sec. 7.

Quorum

The presence, in person, of a majority of the members of a committee shall constitute a quorum for the transaction of business.

Adopted.

Article VIII Appeal from Decisions of Board of Governors

Sec. 1. Appeals

Any decision of the Board of Governors except as otherwise provided for in this Constitution may be appealed to a meeting of the Exchange on the written request of twenty-five members, presented to the Chairman within ten days after such decision has been announced to the Exchange, and such meeting shall be called within five days after receipt of the appeal.

Sec. 2. Interested Officials Not to Participate

No member of the Board of Governors or any member of a committee shall participate in the adjudication of a case in which he or she is personally interested.

Amended.

Article IX Membership

Sec. 1. Number of Memberships

The Membership of the Exchange shall consist of 224 members of the Exchange, other than EAMs, each of whom shall, upon liquidation, dissolution or winding up of the affairs of the Exchange, have distributive rights in its assets. An Electronic Access Member shall vote in the same capacity as other BSE members, except with respect to Exchange ownership matters, specifically those matters related to mergers, consolidations, dissolution, liquidation, transfer, or conversion of the assets of the Exchange or any of its subsidiaries.

Adopted.

Amended.

Sec. 2. Transfer of Membership

(a) A Member in good standing may transfer ownership of the membership to a person approved by the Exchange. An EAM may not transfer any interest in, or rights or privileges inherent in, the permission granted to them by the Exchange allowing such EAM to conduct certain trading activities on the Exchange.
(b) A Member in good standing may lease his membership to a person approved by the Exchange subject to and in accordance with such rules as may be adopted from time to time by the Board of Governors. During the term of such lease the lessee, rather than the lessor, shall for all purposes of the Constitution and the Rules thereunder be deemed to be the Member of the Exchange, except that the lessor shall be deemed to be the Member for the purpose of the Gratuity Fund and shall be entitled to receive, with respect to such membership, any distribution of the assets of the Exchange in the event of any liquidation, dissolution, or winding up of the affairs of the Exchange.

Adopted.

Amended.

Sec. 3. Qualification For Membership

The Exchange shall, upon the approval of the Board of Governors, accept for membership any natural person who is a registered broker or dealer or who is associated with a registered broker or dealer, (a) who is not subject to a "Statutory Disqualification" (as defined in Section 3(a)(39) of the Securities Exchange Act of 1934), (b) who, directly or through the associated broker or dealer, meets such standards of financial responsibility and operational capability as set forth in Section 5 hereof, (c) who, with associated persons, either has not engaged in or is not reasonably likely again to engage in acts or practices inconsistent with just and equitable principles of trade, and (d) who meets such standards of training, experience and competence as the Board of Governors prescribes for members.

Amended.
June 3, 1976.

Sec. 4. Qualification of Member Organizations

The Exchange shall, upon application, qualify as a member organization any broker or dealer, registered as such with the Securities and Exchange Commission, associated with a Member of the Exchange, designated by the member organization as its representative generally with respect to all transactions, dealings and business which it might have on the Floor of, or with or through, the Exchange and (a) which is not subject to a Statutory Disqualification (as defined in Section 3(a)(39) of the Securities Exchange Act of 1934), (b) which meets such standards of financial responsibility and operational capability as set forth in Section 5 hereof, (c) which, with its associated persons, either has not engaged in or is not reasonably likely again to engage in acts or practices inconsistent with just and equitable principles of trade and (d) which meets such standards of training, experience and competence as the Board of Governors prescribes for members.

Adopted.
Any registered broker or dealer making application as a member or member organization must affirmatively demonstrate that it has (i) sufficient resources, including bonds and policies of insurance, and (ii) adequate operational capability, including skilled personnel, physical facilities, training programs, books, records, systems and facilities, to fulfill its anticipated obligations and commitments under the Securities Exchange Act, the rules and regulations issued thereunder, the Constitution and Rules of the Board of Governors, and otherwise, to the Exchange, its subsidiaries, customers, members and other persons with whom it may deal.

Adopted.

June 3, 1976.

Amended.


Sec. 6.

Investigation and Acceptance by Exchange

Upon receipt of an application to become a member or member organization, together with such reasonable investigation fee as the Exchange may prescribe, the Exchange shall make appropriate investigation and examination of the applicant and its associated persons, and shall, within 60 days of receipt of such application, notify the applicant of its acceptance, rejection, or conditional acceptance. In making its determination, the Exchange may hold such hearings and make such independent investigation as it may, in its discretion, determine. Notwithstanding the foregoing, the Exchange may, consistent with the provisions of Section 6(c)(4) of the Securities Exchange Act of 1934, decline to accept the application of any applicant upon a determination by the Board of Governors of the Exchange that the Exchange does not have adequate personnel, space, data processing or other operational capability at that time to furnish service to additional applicants or the particular applicant (due to the expected volume of its transactions) without impairing the ability of the Exchange to provide such services.

Adopted.

June 3, 1976.

Amended.


Sec. 7.

Corporation

The Boston Stock Exchange Clearing Corporation, a Massachusetts corporation, shall be a
member of the Exchange so long as all of its capital stock is owned by the Exchange.

**Renumbered.**

June 3, 1976.

July 10, 1990

**Sec. 8. Allied Members**

Any person not a regular member of the Exchange shall become an allied member of the Exchange by either

a) becoming a general partner in a member-firm or

b) becoming a holder of voting stock in a member-corporation.

An allied membership is not transferable. When an allied member dies or is expelled his allied membership shall terminate. When an allied member either ceases to be a general partner in a member firm and does not forthwith become a general partner in another member firm or a holder of voting stock in a member corporation continuing the business of the first firm or ceases to be a holder of voting stock in a member corporation and does not forthwith become a holder of such stock in another member corporation or a general partner in a member firm continuing the business of the first corporation, his allied membership shall terminate. An allied member shall have no right to go upon the Floor of the Exchange except as otherwise in this Constitution provided. When the Treasurer shall report to the Board of Governors that an allied member has neglected to pay a fine for three months after the fine has become payable, the allied membership of such allied member shall terminate, unless the Board of Governors shall have granted an extension of time for payment of such fine.

**Renumbered.**

June 3, 1976.


**Amended.**


**Sec. 9. Signing of Constitution**

No person elected to membership by the Board of Governors shall be admitted to the privileges thereof until he shall have agreed in writing to bind himself, his heirs, legal representative and estate, any partnership, the present and future partners thereof, or corporation, its officers and directors, registered by such member, to abide by the Constitution and by all subsequent amendments thereto, and by rules adopted pursuant to the Constitution. Any person other than a
member, by acceptance of service on the Board of Governors or on any committee shall be deemed to have agreed to abide by the Constitution and Rules of the Exchange.

Amended.


April 7, 1978.


Renumbered.

June 3, 1976.


Sec. 10. Non-liability of Exchange

The Exchange shall not be liable for damages sustained by a member, an allied member or member organization resulting from the use of facilities afforded by the Exchange to members for conduct of their business.

Renumbered.

June 3, 1976.


Amended.

July 10, 1990

Sec. 11. Status on Death of Member

(a) Member-firm. -- The Exchange may, on the application of the surviving partners in a member-firm whose only general partner who was a member of the Exchange has died, permit, notwithstanding the death of such member, a continuing partnership consisting of all of such surviving partners and no others (except that the estate of the deceased member may have an interest therein), to have the status of a members-firm for such period as the Board of Governors may determine, in accordance with Article XI, Sec. 13. The Board of Governors in its discretion may, at any time during such period, withdraw such permission and upon such withdrawal such status shall terminate.

(b) Member-corporation. -- The Exchange may, on the application of the surviving holders of voting stock in a member-corporation whose only director who was a member of the Exchange has died, permit, notwithstanding the death of such member, such corporation, if all of its voting stock is held by the surviving holders of voting stock of such corporation and no others
(except that the estate of the deceased member may be a holder of such voting stock), to have the status of a member-corporation for such period as the Board of Governors may determine, under such conditions as it may fix. The Board of Governors in its discretion may, at any time during such period, withdraw such permission and upon such withdrawal such status shall terminate.

Renumbered.

June 3, 1976.


Amended.


Sec. 12 Ownership Concentration and Affiliation Limit in BSX

(a) For purposes of this Article, and unless the context otherwise requires, the terms “Affiliate” and “Unit” shall have the same meaning specified in the BSX Group LLC Amended and Restated Operating Agreement.

(b) Ownership Limitation. For as long as the BSX Group, LLC, operates a facility of the BSE no Member of the BSE, either alone or with any Affiliate shall, at any time, own beneficially any interest in BSX representing in the aggregate more than 20% of the then outstanding units of BSX (the “Ownership Limitation”).

(c) Without prior SEC approval, the BSE or any entity with which it is affiliated shall not directly acquire or maintain an ownership interest in a BSE Member. In addition, no BSE Member shall be or become an Affiliate of the Exchange or any Affiliate of an Affiliate of the BSE. Nothing herein shall prohibit a Member from acquiring or holding an equity interest in the BSX Group, LLC that is permitted by the ownership limitations contained in Section (a) of this Article.

(d) Disciplinary Action. A Member shall have 180 days to cure an inadvertent violation of Section (b) of this Article. In the event such violation is not cured during such time, the Member shall have all trading rights and privileges suspended, and shall also be subject to any appropriate disciplinary action, including action for the failure of such Member to enter into the BSX Group LLC Operating Agreement.”

Adopted.


Article X Dues and Fines

Sec. 1.

How Fixed

The Board of Governors shall have the power to fix the annual dues of each member and
establish the dates of payments thereof.

Amended.

Sec. 2. Failure to Pay

Any member who shall neglect to pay any dues, fees, fines or any assessment or other sum due to the Exchange or any of its subsidiaries for thirty days after the same shall become payable, may be reported to the Board of Governors, and after ten days written notice to such delinquent, may be suspended until payment is made. Should such delinquency continue for ninety days after such payment is due, the Board of Governors may expel the member and may dispose of the membership forthwith in such manner as it may determine.

Amended.
April 1, 1975.
August 19, 1977.
October 21, 1977.

Sec. 3. Member Liable for any Charges of Member Organization

Any member associated with a member organization shall be responsible for not only his own fines, charges, dues or assessments but also those of such member organization.

Adopted.

Amended.

Sec. 4. Disposition of Membership for Default of Payments

If any member shall have been suspended three times for default in payment of his debts to the Exchange he shall, upon the fourth suspension, cease to be a member of the Exchange and his membership may be disposed of forthwith by the Board of Governors.

Adopted.
Article XI Transfer of Membership

Sec. 1. Approval by Board of Governors

A transfer of the membership of a member or the leasing of a membership may be made upon the approval of the Board of Governors in accordance with the Constitution and Rules of the Exchange.

Adopted.


Sec. 2. Transfer Fee

A person admitted to membership in accordance with the terms of this Article shall pay a transfer fee as set forth in the Rules of the Board of Governors. For purposes of this Section, transfer by lease shall be considered a transfer of membership but no transfer fee shall be payable upon the termination of such lease. In all cases when the transfer fee shall not be paid within five days after the election of a member and his notification by the Secretary, such election shall be void. The transfer fee herein provided may, however, be waived in a particular case by the Board of Governors if (a) the new member is a partner in the member firm or holder of voting stock in the member corporation in which the person transferring his membership is a partner or holder of voting stock and (b) the new member is proposed to be elected as an officer of the Exchange.

Amended.

December 29, 1975.

June 3, 1983.


Sec. 3. Maturity of Contracts

All contracts subject to the rules of the Exchange made by a member proposing to transfer his membership shall mature on or before the tenth day of the posting of notice of the proposed transfer, and said member shall not be permitted, thereafter, to make any contracts subject to the rules of the Exchange, pending the election or failure of election of the applicant.

Amended.


Sec. 4. Application of Proceeds
Upon any transfer of membership, whether made by a member voluntarily or by the Exchange in pursuance of the provisions of the Constitution, the proceeds thereof shall be applied to the following purposes and in the following order of priority, viz.:

First. The payment of all fines, dues, assessments and charges of the Exchange, or of any of its subsidiaries against the member whose membership is transferred, or any member organization associated with such member.

Second. The payment of creditors, who are members of the Exchange, or firms registered thereon, of all filed claims arising from contracts subject to the rules of the Exchange, if and to the extent that the same shall be allowed by the Board of Governors. If said proceeds shall be insufficient to pay said claims, as so allowed, in full, the same shall be applied to the payment thereof pro rata.

Third. The surplus, if any, of said proceeds shall be paid to the person whose membership is transferred, or to his legal representatives, upon the execution by him or them of a release or releases satisfactory to the Exchange.

Amended.

Sec. 5. Unmatured Obligations

All unmatured debts or other obligations of a member, arising out of contracts subject to the Rules of the Exchange, shall become due and payable immediately prior to the transfer of the membership.

Amended.

Sec. 6. Failure to File Claims

A member shall forfeit all right to share in the proceeds of a membership unless he files a statement of his claim with the Exchange prior to the transfer of such membership; but such claim, as allowed by the Board of Governors, may be paid out of any surplus remaining after all other claims allowed by the Board have been paid in full.

Sec. 7. Accounts to Be Filed with Secretary

For verification of accounts rendered under this Article, it shall be the duty of members having accounts with an insolvent member to send to the Secretary, on or before the tenth day of the posting of notice of the proposed transfer, a statement of the amount of the balances as originally rendered and the balance of amounts owed.
Sec. 8. Accounts Between Partners

Claims growing out of transactions between partners who are members of the Exchange shall not share in the proceeds of the membership of one of such partners until after all other claims, as allowed by the Board of Governors, have been paid in full.

Sec. 9. Membership of Deceased Member

When a member dies his membership may be disposed of by the Board of Governors.

Sec. 10. Membership of Expelled Member

When a member is expelled, or becomes ineligible for reinstatement, his membership may be disposed of forthwith by the Board of Governors.

Sec. 11. Creditors Rights

The expulsion or suspension of a member shall not affect the rights of creditors who are members or member organizations of the Exchange.

Sec. 12. Death of Creditor Members

When a member is in debt to another member, neither the death of the creditor member nor the transfer of the creditor's membership, shall affect the rights of said creditor member, the member organization or the estate of the creditor member, to share in the proceeds of the membership of the debtor member under this Article, in the same manner and to the same extent as if such creditor member had not died or the membership had not been transferred.

Sec. 13. Death of Sole Exchange Member
(a) If upon the death of a member who, at the time of death, was a general partner in a member firm in which no other general partner is a member of the Exchange, the following conditions exist:

(1) The partnership articles of such firm provide for the continuance of the firm as a partnership of the surviving partners and no others (except that the estate of the deceased member may have an interest therein), and

(2) the deceased member shall have agreed in the partnership articles of such member firm that such continuing firm, if permitted by the Exchange to have the status of a member firm, shall be entitled to have the use of the membership from the date of death until the termination of such status of such continuing firm or until a member of the Exchange be admitted to such firm as a general partner, and that, insofar as may be necessary for the protection of creditors of the continuing firm, and subject to the Constitution and Rules of the Exchange, the proceeds of the membership shall be an asset of the continuing partnership during such period, and

(3) such continuing partnership shall be permitted by the Exchange to have the status of a member firm,

then upon the transfer of the membership of such deceased member, the proceeds thereof shall be applied to the same purposes and in the same order of priority as if such member had continued to be a member of the Exchange and a general partner in such continuing firm until the date of the termination of such status, or until a member of the Exchange is admitted to such firm as a general partner, whichever event occurs first.

(b) If, upon the death of a member who, at the time of death, was a holder of voting stock of a member corporation in which no other holder of voting stock is a member of the Exchange, the following conditions exist:

(1) the member corporation continues in business and all of its voting stock is held by the persons who held such stock prior to the death of such member and no others (except that the estate of the deceased member may be a holder of such voting stock), and

(2) the deceased member shall have agreed in a writing filed with the Exchange that such member corporation, if permitted by the Exchange to have the status of a member corporation, shall be entitled to have the use of the membership from the date of the member’s death until the termination of such status of such corporation or until a member of the Exchange becomes a holder of voting stock of such corporation; and that, insofar as
may be necessary for the protection of creditors of the corporation, and subject to the
Constitution and Rules of the Exchange, the proceeds of the membership shall be an asset
of the corporation during such period, and

(3) such corporation shall be permitted by the Exchange to have the status of a member
corporation,

then upon the transfer of the membership of such deceased member, the proceeds thereof
shall be applied to the same purposes and in the same order of priority as if such member had
continued to be a member of the Exchange and a holder of voting stock of such corporation
until the date of the termination of such status, or until a member of the Exchange becomes a
holder of voting stock of such corporation, whichever event occurs first.

Amended.

Sec. 14. Recognition of Agreements of Purposed Transferees

No recognition or effect need be given by the Exchange to any agreement or to any instrument
entered into or executed by a member or his legal representative or a member organization which
purports to transfer or assign the interest of such member in a membership, or in the proceeds or
any part thereof, or which purports to create a lien or other right with respect thereto, or which
purports in any manner to provide for the disposition of such proceeds to a creditor of such
member or member organization, in which payment of such proceeds be made by the Exchange
on the order of such member.

Amended.


July 10, 1990

Article XII Contracts Subject to the Rules of the Exchange

Sec. 1. Contracts Subject to the Rules of the Exchange

All contracts of a member or member organization, with any other member or member
organization, for the purchase, sale, borrowing, loaning, or hypothecation of securities, or for the
borrowing, loaning, or payment of money, whether entered into or to be performed upon the Floor
of the Exchange or elsewhere, are Exchange contracts, except to the extent that the Exchange
would be considered liable in any way as a party to the contract.

Amended.

February 23, 2004

Sec. 2 Notwithstanding the provisions of Section 1., a member who is a party to a transaction as either buyer or seller, remains solely responsible for its transactions.

Adopted.

February 23, 2004

Article XIII Insolvent Members

Sec. 1.

Notice to the Exchange

A member who fails to comply with his Exchange contracts, or is insolvent, or a member or allied member who is a partner or stockholder in a member organization which fails to comply with its Exchange contracts, or is insolvent, shall immediately inform the Chairman, in writing, at the Secretary's office of the failure or inability to meet such obligations, and prompt notice thereof shall be given to the members of the Exchange. Such member and such member organization shall thereby become suspended from membership until, after having settled with the creditors of the member and/or member organization, the membership has been reinstated by the Board of Governors. Suspended members shall be prohibited from entering into contracts on the Exchange during the time of suspension.

The failure by a member to notify the Exchange as required herein shall not subject the Exchange to liability on behalf of the member or member organization. A member's inability to honor Exchange contracts due to insolvency or any other reason does not absolve the member of responsibility as a party to those contracts; the member remains solely responsible as a party to the transaction(s) at issue, and the Exchange does not become a de facto guarantor of the member's obligations.

Amended.

August 28, 1981.


Sec. 2.

Notification by the Exchange

The Exchange shall notify the Securities and Exchange Commission and announce to the membership of the Exchange the insolvency and suspension of such member or such member organization suspended in accordance with Section 1 of this Article XIII.

Amended.


August 28, 1981.
Sec. 3. Procedure for Reinstatement

A member suspended for insolvency shall, upon application for reinstatement, be required to furnish to the Exchange a list of creditors and a statement of the amounts originally owing and the nature of the settlement in each case. The Exchange shall give notice to the members through the Secretary and by posting the same in the Exchange, for three consecutive days, of the time and place of meeting to consider the application of the suspended member and the claims of creditors. Upon the applicant's presenting proof, satisfactory to the Exchange, of settlement with creditors, the Board of Governors shall proceed to vote on the application for reinstatement. If the suspended member fails to receive the approving vote of two-thirds of the Board, the applicant shall be entitled to appeal within sixty days thereafter to the members of the Exchange, whose action in the case shall be final. If the suspended member does not appeal within sixty days to the members of the Exchange, or if, at the balloting by the members of the Exchange, receives less than two-thirds of votes cast, the suspended member shall cease to be a member of the Exchange, and the name shall forthwith be stricken from the roll, and the membership disposed of by the Board of Governors.

Amended.


Sec. 4. Lien on Membership

When a member who has been suspended for insolvency is reinstated, all debts incurred previous to suspension shall cease at once to constitute a lien on the membership.

Amended.


Sec. 5. Failure to Apply for Reinstatement

If a member, suspended under this Article, fails to settle with creditors and fails to apply for reinstatement within one year from the time of suspension, the suspended member's membership shall be disposed of by the Board of Governors, and the proceeds distributed in accordance with the provisions of Article XI. The Board of Governors may, by a two-thirds vote, extend the time for settlement of such suspended member for periods not exceeding one year each.

Amended.


Sec. 6. Statement Required

Any member suspended for insolvency shall be required to file with the Secretary of the
Exchange, within thirty days after suspension, a written statement containing a list of such member’s creditors in the Exchange, and of the amounts owing to each.

Amended.


Sec. 7. Reckless or Unbusinesslike Conduct

Whenever the Board of Governors shall determine that the failure of a member or of a member-firm or member-corporation has been caused by reckless or unbusinesslike dealing, said member, or the partner or partners in said member-firm or the stockholders of said member-corporation who are members of the Exchange, may, by a two-thirds vote of the existing members of the Board of Governors, be declared ineligible for reinstatement.

Article XIV Expulsion and Suspension

Sec. 1. Necessary Votes for Expulsion and Suspension

Upon a request for review from a decision rendered by the Hearing Committee or a panel thereof, pursuant to Chapter XXX of the Rules, the Board of Governors may, by majority vote sustain such determination, including any sanction imposed thereby, or reverse, modify, limit or increase the penalty imposed, or return the matter to the Committee or panel for further findings. Notwithstanding the foregoing, in cases where the sanction of expulsion is imposed, approval of such sanction shall require a two-thirds vote of the Board of Governors. All such disciplinary proceedings are to be in accordance with the provisions of the Securities Exchange Act of 1934 and the rules and regulations thereunder, and the Rules of the Board of Governors.

Amended.


August 28, 1981.


Sec. 2. Expulsion for Fraudulent Acts

A member or allied member who shall have been adjudged, by a two-thirds vote of the existing members of the Board of Governors, to be guilty of fraud or fraudulent acts, shall be expelled; public announcement of the expulsion shall be made to the Exchange, and the membership or allied membership shall be forthwith disposed of by the Board of Governors.

Amended.


Sec. 3. Penalty for Misstatements
Any member making a misstatement upon a material point, in an application for membership or reinstatement or extension of time, or in connection with an investigation being conducted by the Exchange or by the Securities and Exchange Commission, may be suspended or expelled.

Amended.


Suspension or Expulsion for Dealing on Other Local Exchanges


Sec. 4.

Suspension or Expulsion for Violation of Constitution or Rules

A member or allied member who shall have been adjudged guilty of willful violation of the Constitution of the Exchange, or of any resolution of the Board of Governors regulating the conduct of business of members, or of any conduct or proceeding inconsistent with just and equitable principles of trade, may be suspended or expelled.

Amended.

May 1, 1975.


Renumbered.


Sec. 5.

Suspension for Acts Detrimental

Any member or allied member adjudged guilty of any act which may be determined by the Board to be detrimental to the interest or welfare of the Exchange may be suspended for a period not exceeding one year.

Amended.

May 1, 1975.


Renumbered.


Sec. 6.

Exchange Inquiries
The Board of Governors, any committee or any authorized officer of the Exchange may require that a member, member organization or allied member of the Exchange submit to the Board, any such committee or authorized officer, for examination, such portion of his books and records as are deemed material and relevant to any matter under investigation by said Board, committee or authorized officer. Any member, member organization or allied member who refuses or neglects to comply with such requirement, or willfully destroys any such required evidence, or who, being duly summoned, refuses or neglects to appear before the Board of Governors or any such committee as a witness, or refuses to testify before the Board or any such committee, may be suspended or expelled.

**Amended.**

May 1, 1975.


December 2, 1993.

**Renumbered.**


**Sec. 7.**

**Penalties**

Any penalty assessed or imposed under the provisions of this Constitution or the Rules of the Board of Governors shall be assessed or imposed only in accordance with the procedures for disciplining of members set forth in the Rules of the Board of Governors as they may be amended from time to time, and in accordance with the provisions of the Securities Exchange Act of 1934 and the rules and regulations thereunder.

**Amended.**

June 10, 1976.


**Renumbered.**


**Hearings for Minor Offenses**

Rescinded effective June 10, 1976.

**Sec. 8.**

**Announcement of Expulsion or Suspension and Its Effect**

Whenever a member or allied member is suspended or expelled by the Board of Governors, announcement thereof shall be made to the Securities and Exchange Commission, and to the membership of the Exchange. Any suspended member shall be deprived during the term of the
suspension of all rights and privileges of membership, except those pertaining to the Gratuity Fund.

**Amended.**

May 1, 1975.


**Renumbered.**

June 10, 1976.


**Article XV Commissions**

**Sec. 1. Commissions**

Nothing contained in the Constitution or Rules of this Exchange or its practices shall be construed to require or authorize its members, or member organizations, or any person associated with its members, or member organizations, to agree or arrange directly or indirectly, for the charging of fixed rates of commission for transactions effected on, or effected by the use of, the facilities of this Exchange.

**Amended.**

May 1, 1975.

May 1, 1976.


**Article XVI Offices and Associations**

**Sec. 1**

**Addresses of Members**

Every member shall register with the Secretary an address, and subsequent changes thereof, where notices may be served.

**Sec. 2.**

**Approval of Firms and Corporations**

(a) No member shall form a partnership and no member, allied member or member firm shall admit any person to partnership in a member firm without the prior approval of the Exchange.
(b) No member shall organize a member corporation, no member or allied member shall become a stockholder in a member corporation and no member corporation shall permit any person to hold any of its stock without the prior approval of the Exchange, except that the provisions of this paragraph shall not apply to publicly-held securities.

(c) Upon the formation of a partnership or a corporation, the member shall immediately register the name of such partnership or corporation with the Secretary; official announcement thereof shall be made to the membership of the Exchange. Notice of dissolution of such partnership or of liquidation of such corporation must be given in like manner.

Amended.

Sec. 3.
Membership in Only One Firm or Corporation

No member or allied member shall be a general partner, a special partner or a holder of more than 5% of stock of any class in more than one member firm or member corporation at the same time.

Amended.
November 26, 1971.

Sec. 4.
Joining with Suspended or Insolvent Persons Prohibited

No member of the Exchange shall be allowed to take as a general or special partner in any member firm any suspended member or allied member of the Exchange during the period of his suspension. No such suspended member or allied member shall be permitted to acquire any of the stock of a member corporation during such period. No member of the Exchange shall be allowed to form a partnership with, and no member corporation shall permit the holding of any of its stock by, any insolvent person or any person who has previously been a member of the Exchange and against whom any member of the Exchange holds a claim arising out of transactions made during the time of such membership, which has not been settled or released in accordance with the Constitution of the Exchange or Rules of the Board of Governors, nor any person suspended or expelled from membership in the Exchange while such suspension or expulsion remains in effect.

Amended.

Sec. 5.
Members Responsible for Acts of Partners and Officers
A member or allied member of the Exchange who is a general partner in a member firm or a holder of voting stock in a member corporation is liable to the same discipline and penalties for any act or omission of said member firm or member corporation as if the same were committed by such member or allied member personally; but the Board of Governors may, in its discretion, by a vote of a majority of the Governors then in office relieve him from the penalties therefor.

Amended.


Sec. 6. Notices to Estates of Deceased Members

If a member, with contracts outstanding, dies, leaving no partner, any demand, call, requirement, or other notice at any time relating thereto may be delivered at his registered address and to the Secretary of the Exchange, with the same effect as against his estate, as though he had not deceased, and it had been delivered to him.

Amended.


Sec. 7. Alternates for Members Absent

(a) Members who are in the active military service of the United States or who are exclusively occupied in any public service may authorize a general partner of any such member or a holder of voting stock in the member corporation in which any such member is a holder of voting stock to transact in the place and stead of any such member the usual business of such member on the Floor of the Exchange. In other cases of emergency, any two members of the Board of Governors who are active on the Floor of the Exchange may approve the use of other qualified persons to transact the business of any member on the Floor.

(b) Every contract made on the Floor by any member authorized to act on behalf of another shall have the same force and effect as if it had been made by the member for whom such member is acting.

Amended.


Article XVII The Gratuity Fund

Sec. 1. Obligations and Eligibility

Every member of the Exchange shall be subject to the obligations of the plan providing for the families of deceased members as hereinafter set forth. Upon the death of a member, his family
shall be entitled to partake of the benefits of the plan provided (1) that the physician's report upon
his physical condition furnished at the time of his application for membership in accordance with
Article IX, Section 3, of this Constitution is satisfactory to the Exchange, or (2) that at any later
time he files a written report upon his physical condition by a physician designated by the
Exchange, establishing to the satisfaction of the Exchange that such disabilities as he has been
subject to have been removed and that his condition is then good, or (3) that he has lived and has
continued to be a member of the Exchange for at least twelve (12) years from the date of his
election.

Amended.


Sec. 2.

Contributions

Upon the death of a member of the Exchange there shall be levied and assessed against every
other member the sum of (a) fifty dollars ($50) or (b) such greater amount as shall be required to
provide a total Fund of not less than $5,000, which assessment shall thereupon become due from
him to the Exchange, and which shall be charged and collected as other dues and fines are, or
may then be charged and collected.

Sec. 3.

Trustees of Fund

There shall be three trustees of the Gratuity Fund appointed by the Board of Governors for such
terms as it may determine, two of whom shall be members and one of whom shall be either a
member or an allied member of the Exchange, and all moneys received by the Exchange under
this Article shall be paid to them as such Trustees, shall be kept by them separate and distinct
from the funds of the Exchange, and shall be paid out only as provided in this Article. The
Trustees shall be under no accountability except to the Exchange.

Applies to all memberships

Assessments under the provisions of this Article shall be made equally against all members,
either living or deceased, until the date of the transfer of their memberships.

Sec. 4.

Payment to Beneficiaries

The faith of the Exchange is hereby pledged to pay, within one year after the proof of death of
any member, such moneys as shall have been collected from the other members under the
provisions of this Article to the persons named in the next Section, which moneys shall be paid as
a Gratuity from the other members of the Exchange, free from all debts, charges, or demands
whatever.

Sec. 5.

How Distributed

If at the time of the payment the surviving family consists of a surviving spouse and no
descendant, then the whole sum shall be paid to such surviving spouse for his or her own use.
If at the time of the payment the surviving family consists of a surviving spouse and descendants, and/or adopted children or the issue of adopted children, then one-half shall be paid to the surviving spouse for his or her separate use and one-half to the children and/or adopted children for their use, share and share alike, provided that the share of minor children shall be paid to their guardian, and that the issue of any deceased descendant or adopted child shall be entitled to receive the share which said descendant or adopted child would have received if living, if of age directly, or if minors, through his, her, or their guardian or guardians.

If at the time of the payment the surviving family consists of descendants and no surviving spouse, then the whole sum shall be paid to the children as directed in the preceding paragraph to be done with the moiety.

If at the time of the payment there are surviving neither surviving spouse, descendant, adopted child, nor issue of a deceased adopted child, then the whole sum shall be paid to the same persons who would, under the laws of the State of Massachusetts, take the same by reason of relationship to the deceased member had he or she died at that time owning the same; and if there be no such person, then the assessment levied in such case shall be credited to those members of the Exchange against whom it shall have been charged, in reduction of their payments under this Article.

In all cases a certified copy of the proceedings before a Judge of Probate may be accepted as proof of the rights of the claimants, and may be deemed ample authority to the Exchange to pay over the money, shall protect the Exchange in so doing, and shall release the Exchange forever from all further claim or liability whatsoever.

Amended.


Sec. 6. Limit of Liability

Nothing herein contained shall ever be taken or construed as a joint liability of the Exchange or its members for the payment of any sum whatever; the liability of each member, at law or in equity, being limited to the payment of the assessment provided for and as prescribed in Section 2 hereof, and the liability of the Exchange being limited to the payment of the money collected under the provisions of this Article, after it shall have been collected from the members, and not otherwise.

Sec. 7. Not Pledgeable

Nothing herein contained shall be construed as constituting any estate in esse which can be mortgaged or pledged for the payment of any debts, or which can be assigned in any way or for any purpose by any one; but it shall be construed as the solemn agreement of every member of the Exchange to make a voluntary gift to the family of each deceased member, and of the Exchange to the best of its ability to collect and pay over to such family the said voluntary gift.

Sec. 8. How Assessed and Collected

All payments and assessments shall be charged against each member of the Exchange, and
shall be collected in the same manner and have the same priority as all other fines, assessments and dues.

Sec. 9.  

To Whom Privilege Extends

The provisions of this Article shall not extend to any member whose connection with the Exchange shall have been severed by expulsion or by the voluntary or involuntary transfer of the membership, but shall extend to suspended members.

Amended.

Article XVIII Meetings

Non-attendance


Article XIX Books for Constitution and Rules

Sec. 1.

Books for Constitution and Rules

The Constitution and Rules of the Board of Governors shall be recorded in books to be provided therefor.

Amended.

Article XX Amendments to the Constitution

Sec. 1.

Procedure

The Board of Governors may make amendments to the Constitution by a majority vote of its members then in office taken at a regular or special meeting, provided that notice of any proposal for an amendment shall be given to all members of the Board not less than three business days prior to such meeting. Any such amendment when adopted by the Board of Governors shall be submitted to the members of the Exchange by delivery in person or by mail, postage prepaid, to the address of each member listed on the books of the Exchange and shall stand as the law of the Exchange if not protested in writing by at least fifteen members of the Exchange, such protest to be delivered to the Exchange prior to the expiration of the seventh business day after the date of delivery or mailing to the members of the Exchange of such amendment.

Upon receipt within said seven days of written protests from at least fifteen members of the Exchange to any amendment, the Chairman shall as promptly thereafter as possible call a special meeting of the members of the Exchange, to be held seven business days from the date of such call, for consideration of such amendment, and shall forthwith upon the making of such call cause
to be delivered in person to each member of the Exchange or mailed, postage prepaid, to his address as listed on the books of the Exchange a notice of such meeting, a copy of the proposed amendment and a ballot with provision for voting for or against such amendment. Members of the Exchange may vote at such meeting either in person or by secret ballot by mail. A majority of the members of the Exchange shall constitute a quorum for such meeting, for this purpose counting members returning ballots by mail prior to such meeting or any adjourned session thereof as present at such meeting or adjourned session. The Chairman, in the absence of a quorum, may from time to time adjourn such session to a later date but for no more than an aggregate of thirty days from the date for which such meeting was originally called. A majority of the votes cast at such meeting will be required to make any proposed amendment effective, except in the case of a proposed amendment involving dissolution, liquidation or merger of the Exchange, for which a majority vote of all the members shall be required.

As used herein, "business day" shall mean a day when the Exchange shall be open for trading during all or any part of such day.

Amended.
August 28, 1981.

Sec. 2. Gratuity Fund Obligation

No alteration of the Article about the Gratuity Fund shall ever be made which shall impair in any essential particular the obligation of each individual member to contribute an amount of not less than fifty dollars ($50) to the provision for families of deceased members.

Amended.
August 28, 1981.

July 10, 1990

Article XXI

Sec. 1 BSX

a) BSX Group, LLC is the operator of the BeX Market, a facility of the Exchange (as defined in Section 3(a)(2) of the Exchange Act). BSX Group, LLC is responsible for the operation of the business of the Exchange related to the trading of equity securities. All of the assets and liabilities of the Exchange that solely support or derive from the business of the Exchange related to the trading of equity securities reside within and accrue to BSX Group, LLC. The BSE regulates all trading occurring on its facilities in accordance with the Rules of the Exchange and the Exchange Act.

(b) The books, records and premises of BSX Group, LLC are the books, records and premises of the Exchange subject to oversight pursuant to the Act, and all officers, directors employees and agents of BSX Group, LLC are officers, directors, employees and agents of the Exchange for the purposes of the Act.

Adopted.
Market-Maker Membership

Rules of the Board of Governors

Chapter I – Definitions

SEC. 1. Exchange --Board of Governors

The terms "Exchange" and "Board of Governors" when used with reference to the administration of any rule, shall, whenever appropriate, include or mean the Chairman, any other officer or employee or any committee to whom the Board of Governors shall have delegated any of its powers or duties.

● ● ● Supplementary Material: ...

.10 All members of the Board of Governors and the Market Performance Committee who are active on the Floor shall be deemed Floor Officials.

.20 Floor Officials shall have power to supervise and regulate active openings and unusual situations that may arise in connection with the making of bids, offers or transactions on the Floor. Floor Officials shall have power also to supervise and regulate the operation of ITS during active openings and unusual situations.

.30 A Floor Official's contribution to the efficiency of the Exchange marketplace is not only evidenced by the board authority delegated to them by the Board of Governors, but also by the incorporation of a requirement for Floor Official approval and/or supervision in numerous rules, policies and interpretations governing trading on the Exchange, such as trades to be effected at wide variations in price, delayed openings, halts in trading, the election of stop orders, stopping stock in eighth point markets, and many more.

.40 Since the process is based upon an impartial evaluation of market data, a Floor Official may not participate in the assessment or adjudication of any matter in which he or his member organization has a direct interest and which would, thereby, present a potential conflict of interest.

.50 The authority of the Floor Official position carries with it a responsibility to keep apprised of new rules and policy determinations which are published in Exchange memoranda, and a responsibility to seek assistance if he has difficulty making a decision or is uncertain as to a particular rule interpretation. The Floor Official's market expertise and judgment will be called upon for a wide range of market situations and rule applications; therefore, he should not hesitate to consult with other Floor Officials or the staff whenever assistance is needed.

.60 Summaries of questions received and answers given will be issued to all Floor Officials periodically by the staff for educational purposes regarding the subject matter, and to ensure a uniformity of rule interpretations by Floor Officials.

.70 Once a decision has been made by a Floor Official, a member may, on a timely basis, bring
any substantial change in circumstances to the attention of the Floor Official involved in the ruling. A member may also appeal a ruling to a panel of three Floor Officials.

.80 Failure to comply with a Floor Official ruling or an appealed ruling that stands shall be deemed to be a violation of the Rules of the Board of Governors.

Amended.

May 9, 1989.

July 2, 1997.

SEC. 2.

"Member," "Membership," "Member-Firm," etc.

The terms "member," "membership," "member firm," "allied member," "non-member," and "member corporation" shall have the meanings specified in Article I, Section 3 of the Constitution, and the terms "publicly held security," "voting stock" and "non-voting stock," when used with respect to a member corporation, shall also have the meanings specified in Article I, Section 3 of the Constitution.

The term "member organization" includes "member firm" and "member corporation."

For purposes of Exchange rules, the term "control" means the power to direct or cause the direction of the management or policies of a person, whether through ownership of securities, by contract or otherwise. A person shall be presumed to control another person if such person, directly or indirectly,

(i) has the right to vote 25 percent or more of the voting securities,

(ii) is entitled to receive 25 percent or more of the net profits, or

(iii) is a director, general partner or principal executive officer (or person occupying a similar status or performing similar functions) of the other person.

Any person who does not so own voting securities, participate in profits or function as a director, general partner or principal executive officer of another person shall be presumed not to control such other person. Any presumption may be rebutted by evidence, but shall continue until a determination to the contrary has been made by the Exchange.

The term "person" shall mean a natural person, corporation, partnership, association, joint stock company, trust, fund or any organized group of persons whether incorporated or not.

The term "approved person" means a person who is not a member or allied member of the Exchange or an employee of a member organization, who has become an approved person as provided in the rules of the Exchange and who is either:

(i) a person who controls a member or member organization, or

(ii) a person engaged in a securities or kindred business who is controlled by or under common control with a member or member organization.

The term "engaged in a securities or kindred business" means transacting business generally as
a broker or dealer in securities, including but not limited to, servicing customer accounts or introducing them to another person.

Amended.
May 18, 1994.

SEC. 3. 

Orders

Bids and offers for stocks may be made as follows:

All or None Order

A market or limited price order which is to be executed in its entirety or not at all, but, unlike a fill or kill order, if not to be treated as cancelled if not executed as soon as it is represented at the specialist's post. The making of "all or none" bids or offers in stocks is prohibited.

At the Close Order

A market order which is to be executed at or as near to the close as practicable.

At the Opening or at the Opening Only Order

A market or limited price order which is to be executed at the opening of the stock or not at all, and any such order or the portion thereof not so executed is to be treated as cancelled.

Day Order

An order to buy or sell which, if not executed, expires at the end of the trading day on which it was entered.

Do Not Reduce or "DNR" Order

A limited order to buy, a stop order to sell or a stop limit order to sell which is not to be reduced by the amount of an ordinary cash dividend on the ex-dividend date. A do not reduce order applies only to ordinary cash dividends; it should be reduced for other distributions such as when a stock goes "ex" a stock dividend or ex-rights.

Do Not Increase or "DNI" Order

A limited order to buy, a stop order to sell or a stop limit order to sell which is not to be increased in shares on the ex-date as a result of a stock dividend or stock distribution.

Fill or Kill Order

A market or limited price order which is to be executed in its entirety as soon as it is represented at the specialist's post, and such order, if not so executed, is to be treated as cancelled. For purposes of this definition, a "stop" is considered an execution.

Good 'Till Cancelled Order (GTC) or Open Order

An order to buy or sell which remains in effect until it is either executed or cancelled.

Immediate or Cancel Order
A market or limited price order which is to be executed in whole or in part as soon as such order is represented at the specialist's post, and the portion not so executed is to be treated as cancelled. For purposes of this definition, a "stop" is considered an execution.

A "commitment to trade" received on the Floor through ITS shall be treated in the same manner, and entitled to the same privileges, as would an immediate or cancel order that reaches the Floor at the same time except as otherwise provided in the ITS Plan and except further that such a commitment may not be "stopped" and the commitment shall remain irrevocable for the time period chosen by the sender of the commitment.

**Instant Liquidity Access ("ILA") Order**

An ILA order is a round-lot limit order of no less than 100 shares priced at the Exchange's published offer (in the case of a buy) or at the Exchange's published bid (in the case of an order to sell), which a member or member-organization has entered for immediate execution in accordance with, and to the extent provided by, Chapter XXXIII, Section 8 (Instant Liquidity Access) of these Rules.

**Limit, Limited Order of Limited Price Order**

An order to buy or sell a stated amount of a security at a specified price, or at a better price, if obtainable after the order is represented at the specialist's post.

**Market Order**

An order to buy or sell a stated amount of a security at the most advantageous price obtainable after the order is represented at the specialist's post.

**"Not Held" Order**

A "not held" order is a market or limited price order marked "not held," "disregard tape," "take time," or which bears any such qualifying notation.

An order marked "or better" is not a "not held" order. A specialist may not accept a "not held" order.

**Scale Order**

An order to buy (or sell) a security which specifies the total amount to be bought (or sold) and the amount to be bought (or sold) at specified price variations.

**Sell "Plus"-Buy "Minus" Order**

A market order to sell "plus" is a market order to sell a stated amount of a stock provided that the price to be obtained is not lower than the last consolidated sale if the last consolidated sale was a "plus" or "zero plus" tick, and is not lower than the last consolidated sale plus the minimum fractional change in the stock if the last consolidated sale was a "minus" or "zero minus" tick. A limited price order to sell "plus" would have the additional restriction of stating the lowest price at which it could be executed.

A market order to buy "minus" is a market order to buy a stated amount of a stock provided that the price to be obtained is not higher than the last consolidated sale if the last consolidated sale was a "minus" or "zero minus" tick, and is not higher than the last consolidated sale minus the minimum fractional change in the stock if the last consolidated sale was a "plus" or "zero plus" tick. A limited price order to buy "minus" would have the additional restriction of stating the
highest price at which it could be executed.

**Stop Order**

A stop order to buy becomes a market order when a transaction in the security occurs at or above the stop price after the order is represented at the specialist's post. A stop order to sell becomes a market order when a transaction in the security occurs at or below the stop price after the order is represented at the specialist's post.

No specialist may execute a transaction for his own account in a stock in which he is registered that would put into effect any "stop" order he may hold, unless the Specialist guarantees that the stop order will be executed at the same price as the electing sale.

**Stop Limit Order**

A stop limit order to buy becomes a limit order executable at the limit price, or at a better price, if obtainable, when a transaction in the security occurs at or above the stop price after the order is represented at the specialist's post. A stop limit order to sell becomes a limit order executable at the limit price or at a better price, if obtainable, when a transaction in the security occurs at or below the stop price after the order is represented at the specialist's post.

... 

**Activation (Electing Sale) Criteria**

The activation of stop and stop limit orders for issues listed solely on the Exchange, where such issues are also traded on the NASDAQ/NMS or NASDAQ Small Cap market, shall include any reported regular way round-lot transaction on the NASDAQ market where the reported price is equal to or through the stop price for a buy stop price (for a buy stop, at or above the buy stop price, for a sell stop, at or below the sell stop price).

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**Amended.**

May 9, 1989.

April 20, 1998.


January 24, 2005.

**Chapter I-A – Access to Records**

**Restrictions on Access --Copies**

Any member, allied-member or member-organization, in connection with any appeal to the Board of Governors, proposed or taken in good faith under a provision of the Constitution, shall be entitled to examine those portions of the minutes or other records of the Board of Governors or of
any committee which specifically relate to any disciplinary action against such member, allied-
member or member-organization. The Exchange may deliver to the member, allied-member or
member-organization a true copy of any such excerpt in lieu of permitting examination of the
actual minutes or records. Except as herein expressly set forth, no member, allied-member or
member-organization shall have any right to examine any minutes or other records of the Board
of Governors or of any committee except that any Governor shall have complete access to the
minutes and records of the Board of Governors or of any committee and any member of a
committee shall have complete access to the minutes and records of such committee.

Amended.
May 9, 1989.

Chapter I-B – Business Hours

SEC. 1. Primary Session

Except as otherwise ordered by the Board of Governors, the Exchange shall be open on every
business day, except Saturday, at 9:00 a.m.; at 9:30 a.m. official announcement shall be made
that the Exchange is open for the transaction of business, and it shall so remain until 4:00 p.m.

Post-Primary Session (PPS)

SEC. 1(a). The Post Primary Session ("PPS") will operate from 4:00 to 4:15 p.m. for PPS
designated orders pursuant to Chapter IIB, Section 3 (Post Primary Session).

GTX

SEC. 1(b). The after-hours trading of GTX Orders will operate from 4:15 to 5:00 pursuant to
Chapter IIB, Section 2 (GTX Orders).

Suspension of Trading

The Chairman, Vice-Chairman and the trading Floor Governors acting by a majority shall have
the power to suspend trading in any and all securities whenever in their opinion such suspension
would be in the public interest, and shall have the power to continue or terminate such
suspension. If it is anticipated that a suspension will continue for more than the day on which
enacted, a special meeting of the Board of Governors comprising a quorum shall determine the
appropriate action to be taken.

Amended.
October 1, 1974.


May 9, 1989.

October 29, 1999.

SEC. 2. Dealings on Floor --Hours
Dealings upon the Exchange shall be limited to the hours during which the Exchange is open for the transaction of business; and no member shall make any bid, offer or transaction upon the Floor, or issue a commitment to trade through ITS from the Floor before or after those hours, except that a specialist may issue and receive pre-opening notifications and pre-opening responses, pursuant to the provisions of the Plan relating to the Pre-Opening Application of the System, before the official opening of the Exchange.

Supplementary Material: ...

.10 ITS commitments may be issued or received for execution outside of the normal hours in which the Exchange is open for business solely for the purpose of fulfilling prior obligations or correcting errors.

Amended.
May 9, 1989.

SEC. 3. Dealings on Floor --Persons

Only members shall be permitted to make or accept bids and offers, consummate transactions or otherwise transact business on the Floor in any security admitted to dealings on the Exchange, except that the provisions of this Rule shall not apply in the case of a person authorized to transact business on the Floor pursuant to Article XVI, Section 7 of the Constitution.

Supplementary Material: ...

.10 An employee of a member who has passed the prescribed Floor members' examination is permitted to make bids and offers and consummate transactions under the supervision of a member, provided such member has notified the Exchange that such employee has been authorized to so act. Such bids and offers and transactions effected under the supervision of a member are binding as if made by the member the employee is representing.

Amended.
May 9, 1989.
SEC. 4

Registration

(a) Each member, and member and/or participant organization shall register with the Exchange, on forms provided by the Financial Industry Regulatory Authority, Inc. ("FINRA") for registration with the Web Central Registration Depository ("Web CRD"). Registration forms shall include, information relating but not limited to, (i) the name and address of the individual member having qualified such member or participant organization in accordance with Article IX of the Constitution and (ii) the name and address of the Member Organization Representative designated by such member or participant organization in accordance with Article IX. Members, and member and/or participant organizations must use FINRA’S Web CRD to file Form U4, Uniform Application for Securities Industry Registration or Transfer. Members, and member and/or participant organizations shall amend Form U4 not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

(b) Each member, and member and/or participant organization applicant that is a registered broker or dealer pursuant to Section 15 of the Securities Exchange Act of 1934 must use Web CRD to submit a Uniform Application for Broker-Dealer Registration, Form BD. Member and/or participant organizations shall amend Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

Adopted.

October 1, 2007.

SEC. 5

Registration and Termination of Registered Persons

(a) Every registered representative of a member or participant organization must be registered with and approved by the Exchange. Members, and member and/or participant organizations must use Web CRD to file Form U4, Uniform Application for Securities Industry Registration or Transfer on behalf of registered representatives. Members, and member and/or participant organizations shall amend Form U4 not later than thirty (30) days after the filer knew of or should have known of the need for the amendment. No member or participant organization shall permit any natural person to conduct public business or duties customarily performed by a registered representative unless such person is registered as a registered representative.

(i) To satisfy the registration requirement of this Rule, a registered representative must be registered as a "BSE" registrant on Form U4.

(ii) For the purposes of this Rule, a person is deemed to be a registered representative if he or she maintains an effective Series 7 General Securities Registered Representative Examination registration or an equivalent of this examination/registration.

(b) Members, and member and/or participant organizations must use Web CRD to file Form U5, Uniform Termination Notice for Securities Industry Registration on behalf of the registered representative. Members, and member and/or participant organizations shall amend Form U5
filings not later than thirty (30) days after the filer knew of or should have known of the need of the amendment.

Adopted.

October 1, 2007.

SEC. 6

Fingerprinting

Members, and member and/or participant organizations are required to comply with Section 17(f) of the Securities Exchange Act of 1934 relating to the fingerprinting of employees. Applicants for a permit must also be fingerprinted. Such fingerprints must be filed with FINRA for identification and appropriate processing prior to any employee performing the functions listed in SEC Rule 17f-2.

Adopted.

October 1, 2007.

SEC. 7

Confidentiality

The Exchange shall use all confidential information gained during the performance of its self-regulatory obligations, including information relating to activities of Exchange members and BOX participants, solely for regulatory purposes and will use all reasonable measures to prevent disclosure of such information to any third party, other than to its employees, agents and subcontractors on a need-to-know basis. The Exchange will take reasonable steps to advise its employees, agents and subcontractors of the confidential nature of the information.

Adopted.


Amended.

October 1, 2007.

Chapter II – Dealings on the Exchange

SEC. 1

What May Be Dealt In

Only such securities, or the rights or warrants pertaining to such securities and securities on a "when issued" or "when distributed" basis or as shall have been approved by the Exchange for
listing or admission to unlisted trading privileges shall be dealt in on the Exchange.

Amended.
May, 1989.

SEC. 2.  
Recording of Sales

Members on the trading floor are required to time-stamp all orders immediately upon receipt and to time-stamp the time of execution of all orders executed on the Exchange. It shall be the duty of the initiating member to see that all sales are transmitted promptly to the locations on the Floor designated for the recording of transactions. Failure to observe this requirement may be deemed by the Board to be an act detrimental to the interest or welfare of the Exchange.

● ● ● Interpretations and Policies: ...

.10 An initiating member is one who causes the trade to occur.

Amended.
May 9, 1989.

SEC. 3.  
Bids and Offers Binding

All bids and offers made and accepted in accordance with the rules of the Exchange shall be binding; and all contracts thereby effected shall be subject to the exercise by the Board of Governors of their vested powers pursuant to the Constitution of the Exchange and of the rules pursuant thereto.

Amended.
May 9, 1989

SEC. 4.  
Units of Trading

The unit of trading in bonds shall be $1000 in par value thereof.

The unit of trading in stocks shall be 100 shares, except that the Exchange may fix a smaller number of shares in any particular instance.

Bids or offers for less than the unit of trading shall specify the par value of the bonds or number of shares of stock covered by the bid or offer.
A customer's order in the unit of trading, or multiples thereof, in any security traded on the Exchange, the primary market for which is on another Exchange, may not be split into odd-lots. A member may not split any order into multiple smaller orders for any purpose other than seeking the best execution of the entire order.

Amended.

May 9, 1989.
August 26, 2005.

SEC. 5.  "Next day" sales of Government bonds

As an exception to the "Regular Way" delivery plan, as hereinafter defined in Section 6(b) of this Chapter, United States Government bonds may be traded in for delivery on the first full business day following the day of the transaction, provided it is stated at the time of making the transaction that it is for "next day".

Amended.

April 7, 1978.
May 9, 1989.
April 7, 1995.

SEC. 6.  Bids and Offers for Stocks

Delivery dates on Exchange contracts are as follow:

(a) "Cash", i.e., for delivery upon the day of contract.

(b) "Regular Way", i.e., for delivery upon the third full business day following the contract.

(c) "Buyer's" or "Seller's" Options for not less than four business days nor more than 180 days following the day of the contract; except that the Exchange may provide otherwise in specific issues of securities or class of securities.

(d) "Next Day", i.e., for delivery on the next business day following the day of the contract. For purposes hereof, "next day" may also include deliveries within the time specified in the contract which time may include either the first or second business day following the day of the contract.

(e) "When Issued", i.e., for delivery when issued, as determined by the primary market.

(f) "When Distributed", i.e., for delivery when distributed, as determined by the primary market.

Bids and offers under each of these specifications may be made simultaneously, as being essentially different propositions, and may be separately accepted without precedence of one over another.

Bids and offers made without stated conditions shall be considered to be "regular way" contracts.

Bids for and offers of stock in lots greater than 100 shares, unless otherwise specified, shall
always mean “in 100 share lots”.

A member offering to buy or sell any part of 100 shares or $1,000 principal amount of bonds shall be understood to have offered to trade in 100 shares or $1,000 principal amount of bonds or any part thereof. An odd-lot transaction between others shall cut off his bid or offer for odd lots only. A purchase or sale of any part of his stock necessitates the renewal of his bid or offer.

**Below best bid-above best offer**

When a bid is clearly established, no bid or offer at a lower price shall be made.

When an offer is clearly established, no offer or bid at a higher price shall be made.

**Precedence of highest bid and lowest offer**

The highest bid and the lowest offer shall have precedence in all cases.

**Priority and precedence**

Where bids are made at the same price, the priority and precedence shall be determined as follows:

**Priority of first bid**

(1) When a bid is clearly established as the first made at a particular price, the maker shall be entitled to priority and shall have precedence on the next sale at that price, up to the number of shares of stock or principal amount of bonds specified in the bid, irrespective of the number of shares of stock or principal amount of bonds specified in such bid.

**Precedence of bids equaling or exceeding amount offered**

(2) When no bid is entitled to priority under paragraph (1) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) all bids for a number of shares of stock or principal amount of bonds equaling or exceeding the number of shares of stock or principal amount of bonds in the offer or balance, shall be on a parity and entitled to precedence over bids for less than the number of shares of stock or principal amount of bonds in such offer or balance, subject to the condition that if it is possible to determine clearly the order of time in which the bids so entitled to precedence were made, such bids shall be filled in that order.

**Precedence of bids for amounts less than amount offered**

(3) When no bid is entitled to priority under paragraph (1) hereof (or when a bid entitled to priority or precedence has been filled and a balance of the offer remains unfilled) and no bid has been made for a number of shares of stock or principal amount of bonds equaling or exceeding the number of shares of stock or principal amount of bonds in the offer or balance, the bid for the largest number of shares of stock or greatest principal amount of bonds shall have precedence, subject to the condition that if two or more such bids for the same number of shares of stock or principal amount of bonds have been made, and it is possible to determine clearly the order of time in which they were made, such bids shall be filled in that order.
Simultaneous bids

(4) When bids are made simultaneously, or when it is impossible to determine clearly the order of time in which they were made, all such bids shall be on a parity subject only to precedence based on the size of the bid under the provisions of paragraphs (2) and (3) hereof.

Sale removes bids from floor

(5) A sale shall remove all bids from the Floor except that if the number of shares of stock or principal amount of bonds offered exceeds the number of shares or principal amount specified in the bid having priority or precedence, a sale of the unfilled balance to other bidders shall be governed by the provisions of these Rules as though no sales had been made to the bidders having priority or precedence.

Subsequent bids

(6) After bids have been removed from the Floor under the provisions of paragraph (5) hereof, priority and precedence shall be determined, in accordance with these Rules, by subsequent bids.

Bids in called securities

(7) Notwithstanding the provisions of this Rule the Exchange may, when all or any part of an issue of securities is called for redemption, require that all bids at the same price in the called securities shall be on a parity and that no bidder shall be entitled to more than the amount of his bid.

Transfer of priority, parity and precedence

(8) A bid may be transferred from one member to another and, so long as that bid is continued for the same account, it shall retain the same priority, parity and precedence it had at the time it was transferred.

Precedence of lowest offer

The lowest offer shall have precedence in all cases.

Offers at same price

Where offers are at the same price the priority, parity and precedence shall be determined in the same manner as specified in the case of bids. An offer may be transferred from one member to another and, so long as that offer is continued for the same account, it shall retain the same priority, parity and precedence it had at the time it was transferred.

Amended.

May 9, 1989.
SEC. 7. Dissemination of Quotations

All bids made and all offers made shall be in accordance with Rule 11Ac1-1 of the Securities Exchange Act of 1934 and amendments thereto which governs the dissemination of quotations for reported securities. For ease of reference, the complete text of SEC Rule 11Ac1-1 is reproduced below.

The following interpretations and policies pertain to all issues for which a specialist has been assigned and as to which last sale information is reported on the Consolidated Transaction Reporting System.

● ● ● Interpretations and Policies: ...

.01 Specialists shall input their current markets and sizes to the Quotation System through the key terminal at the post. These quotations shall be firm as to both price and size unless exempted under one of the conditions specified hereinafter in paragraphs .05 to .08.

.02 A member acting as a Floor broker or an Alternate Specialist shall:

(i) notify the specialist of his bid and/or offer and the quotation size that he wishes to dissemination;

(ii) promptly notify the specialist whenever his published bid, published offer or published quotation size is to be revised; and

(iii) promptly notify the specialist whenever his published bid and/or published offer is to be cancelled or withdrawn.

.03 A member who verbally communicates a bid and/or offer to the specialist must promptly provide the specialist with a written order unless such member elects to retain possession of the order while remaining at the specialist's post.

.04 A member who wishes to cancel an order must provide the specialist with a copy of the order which bears the notation 'cancel'.

.05 Quotation sizes, unless otherwise specified shall be assumed to be 100 shares. Where bids or offers are made at the same price the aggregate quotation size of such equal bids or offers shall be input into the Quotation System. Such aggregate sizes shall remain firm until withdrawn, unless exempted under one of the conditions specified in this Section.

.06 In instances where a cross of block size on the Boston Stock Exchange or other market against which orders are being protected takes place outside the current Boston Stock Exchange quotation, all effective bids or offers limited to the block price or better will be executed at the more favorable block price rather than at the limit price of the affected orders.

.07 In instances where any other transaction of block size (i.e., in which a broker represents an order to block size on one side of the transaction only) on the Boston Stock Exchange or other market against which orders are being protected takes place outside the current Boston Stock
Exchange quotation, all effective bids or offers will be subject to the Intermarket Trading System Trade Through Rule.

.08 No offer shall be made or transaction effected that would result in a violation of applicable short sale rule, as herein contained in Section 16.

.09 No specialist, alternate specialist or Floor broker shall be obligated to effect a transaction for any security as provided for in this Section if:

(A) before an order sought to be executed is presented, such specialist, alternate specialist, or Floor broker has input a revised bid, offer, or quotation size into the Quotation System or

(B) at the same time an order sought to be executed is presented, such specialist, alternate specialist, or Floor broker is in the process of effecting a transaction in such security and, immediately after the completion of such transaction, such specialist, alternate specialist, or Floor broker inputs a revised bid, offer, or quotation size into the Quotation System.

.10 In the event of unusual market conditions as determined by two Floor Officials, quotations in a particular issue will not be subject to firmness provided that the Exchange has input quotations into the Quotation System with non-firm condition appended.

.11 Prior to making a determination that a particular security or securities be exempted from the firmness requirement the Floor Officials shall consider:

(1) the level of trading activity in existence at the time on the Boston Stock Exchange;

(2) the level of trading activity in existence at the time at other Exchanges on which the particular security is traded;

(3) the condition of the Exchange's Quotation Dissemination System.

After an exemption from the firmness requirement is granted, the Floor Officials or authorized representatives from the Exchange are required to monitor the activity or conditions which form the basis for such exemption and when such conditions no longer exist, shall immediately notify the specialist whose quotations thereafter shall be subject to the firmness requirement of this Rule.

Amended.

May 9, 1989.

SEC. 8. Excessive Trading by Members

No member, allied-member or member-organization shall effect on the Exchange purchases or sales for any account in which such member, allied-member or member-organization is directly or indirectly interested, which purchases or sales are excessive in view of the financial resources of such member, allied-member or member-organization or in view of the market for such security.

Excessive trading in customers' accounts

No member, allied-member or member-organization shall execute or cause to be executed on the Exchange purchases or sales of any security for any account with respect to which such member,
allied-member or member-organization is vested with any discretionary power, which purchases or sales are excessive in size or frequency in view of the financial resources in such account.

SEC. 9.  

Trading for Joint Account

No member while on the Floor, shall, without the prior approval of the Exchange initiate the purchase or sale on the Exchange of any security classified for trading as a stock by the Exchange for any account in which he, or the member-organization of which he is a partner or stockholder or any partner or stockholder of such member-organization, is directly or indirectly interested with any person other than such member-organization or partner or stockholder of such member-organization.

The provisions of the above paragraph shall not apply to any purchase or sale (1) by any member or allied-member for any joint account maintained solely for effecting bona fide domestic or foreign arbitrage transactions, or (2) by an Odd-Lot Dealer or a dealer-specialist for any joint account in which he is expressly permitted to have an interest or participation.

A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Section.

Joint accounts approval by Exchange

(a) No member, allied-member or member-organization shall directly or indirectly, hold any interest or participation in any joint account for buying or selling any security on the Exchange, unless such joint account is approved by the Exchange.

A request to form a joint account shall be filed with the Exchange and shall include the following:

(1) Names of persons participating in such account and their respective interests therein.

(2) Purpose of such account.

(3) Amount of financial commitments in such account.

(4) A copy of any written agreement or instrument in writing relating to such account.

(5) A detailed explanation of the manner in which business will be conducted and include individual responsibilities. For example, stocks to be handled by each participant, account changes, plus any additional information as determined by the Exchange. Upon approval, each dealer-specialist must remain active on the trading Floor and be registered in the minimum number of stocks required by the Exchange.

Amended.


May 9, 1989.

SEC. 10.  

Discretionary Transactions

No member, while on the Floor, shall execute or cause to be executed on the Exchange, or
through ITS or any other Application of the System, any transactions for the purchase or sale of any security classified for trading as a stock by the Exchange with respect to which transaction such member is vested with discretion as to (1) the choice of security to be bought or sold, (2) the total amount of any security to be bought or sold, or (3) whether any such transaction shall be one of purchase or sale.

Exceptions thereto

The provisions of the paragraph above shall not apply (1) to any discretionary transactions executed by such member for any bona fide cash investment account or for the account of any person, who due to illness, absence or similar circumstances, is actually unable to effect transactions for his own account; provided that such member shall keep available for inspection a detailed record of any such transaction and the grounds for exercising discretion and shall file with the Exchange quarter-annually within 10 days of the end of each calendar quarter a report covering the preceding quarterly period showing the name of each account for which any such transaction was executed, the amount of such discretionary purchases or sales and the grounds for exercising such discretion with respect to each account, or (2) to any transaction permitted under Section 9 (a) and (b) of this Chapter, for any account in which the member executing such transaction is directly or indirectly interested.

Amended.


SEC. 11. Trading While Acting as a Broker as to Market Orders

No member shall (1) personally buy or initiate the purchase of any security on the Exchange for his own account or for any account in which he, the member-organization of which he is a partner or stockholder, or any partner or stockholder of such member-organization, is directly or indirectly interested, while such member personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted market order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security on the Exchange for any such account, while he personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted market order to sell such security in the unit of trading for a customer.

A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Section.

As to limited orders

No member shall (1) personally buy or initiate the purchase of any security on the Exchange for any such account, at or below the price at which he personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted limited price order to buy such security in the unit of trading for a customer, or (2) personally sell or initiate the sale of any security on the Exchange for any such account at or above the price at which he personally holds or has knowledge that his member-organization or any partner or stockholder thereof holds an unexecuted limited price order to sell such security in the unit of trading for a customer.

Where not applicable

The provisions of the above two paragraphs shall not apply (1) to any purchase or sale of any
security in an amount of less than the unit of trading made by an Odd-Lot Dealer to offset odd-lot orders of customers, (2) to any purchase or sale of any security, delivery of which is to be upon a day other than the day of delivery provided in such unexecuted market or limited price order, or (3) to transactions where a member is compelled to supply or take on his own account the securities named in the order in accordance with Chapter XVII of the Rules.

Amended.


SEC. 12.

Successive Transactions

No member, allied-member or member-organization shall execute or cause to be executed on the Exchange the purchase of any security at successively higher prices or the sale of any security at successively lower prices for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security, or for the purpose of making a price which does not reflect the true state of the market in such security.

SEC. 13.

Trading Against Privileges

No member while on the Floor shall initiate the purchase or sale on the Exchange for his own account or any account in which he, or the member-organization of which he is a partner or stockholder, or any partner or stockholder of such member-organization, is directly or indirectly interested, or any security classified for trading as a stock by the Exchange, in which he holds or has granted any put, call, straddle, or option, or in which he has knowledge that the member-organization of which he is a partner or stockholder or any partner or stockholder of such member-organization, holds or has granted any put, call, straddle or option, unless such option is issued by the Options Clearing Corporation and the transaction in which the option is acquired or granted is publicly reported. All option transactions effected pursuant to the preceding sentence must be reported to the Exchange in such form and at such times as the Exchange requires.

A member who issues a commitment or obligation to trade from the Exchange through ITS or any other Application of the System shall, as a consequence thereof, be deemed to be initiating a purchase or a sale of a security on the Exchange as referred to in this Section.

Amended.


February 16, 1977.


SEC. 14.

Unbusinesslike Dealing

Reckless or unbusinesslike dealing is contrary to just and equitable principles of trade, and the offending member or allied-member may be subject to the penalties provided in Article XIV,
Section 4 of the Constitution.

Amended.


SEC. 15.

Record of Orders from Offices to Floor

Every member, allied-member or member-organization shall preserve for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission a record of every order transmitted by such member, allied-member or member-organization to the Floor of the Exchange, which record shall include the name and amount of the security, the terms of the order, and the time when such order was so transmitted.

Account Identification Codes

The following account identification codes are required:

<table>
<thead>
<tr>
<th>Program Trade</th>
<th>Program Trade</th>
<th>Competing Mkt. Mkr.</th>
<th>Short Exempt</th>
<th>Competing Mkt. Mkr.</th>
<th>Short Exempt</th>
<th>All Other Orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Arbitrage</td>
<td>Non-Index Arbitrage</td>
<td>Mkt. Mkr.</td>
<td>Exempt</td>
<td>Exempt</td>
<td>Orders</td>
<td></td>
</tr>
<tr>
<td>Member/member organization:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--Proprietary</td>
<td>D</td>
<td>C</td>
<td>O</td>
<td>E</td>
<td>L</td>
<td>P</td>
</tr>
<tr>
<td>--As agent for other member</td>
<td>M</td>
<td>N</td>
<td>T</td>
<td>F</td>
<td>X</td>
<td>W</td>
</tr>
<tr>
<td>Customer</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>--Individual(80A)</td>
<td>J</td>
<td>K</td>
<td>-</td>
<td>H</td>
<td>-</td>
<td>I</td>
</tr>
<tr>
<td>--Other agency</td>
<td>U</td>
<td>Y</td>
<td>R</td>
<td>B</td>
<td>Z</td>
<td>A</td>
</tr>
</tbody>
</table>

Definitions:

Member/member organization, proprietary: a member/member organization trading for its own account.

Member/member organization, as agent for other member: a member/member organization trading as agent for the account of another member/member organization.

Program Trade, Index, Arbitrage: the purchase or sale of “baskets” or groups of stocks in conjunction with the intended purchase or sale of one or more cash-settled opinions or futures contracts in an attempt to profit by the price difference, as defined in NYSE Rule 80A.

Program Trade, Non-Index Arbitrage: a trading strategy involving the related purchase or sale of a group of 15 or more stocks having a total market value of $1 million or more, as defined in NYSE Rule 80A.

Competing Market Maker: any person acting as a market maker, as defined in Section 3(a)(38)
of the Securities Exchange Act of 1934, in an exchange-listed security. A person acting solely in the capacity of a block positioner would not be considered a competing market maker.

Proprietary, Competing Market Maker: a member or member organization trading for its own competing market maker account.

As Agent for Other Member, Competing Market Maker: a member or member organization trading as agent for another member’s competing market maker account.

Other Agency, Competing Market Maker: a member or member organization trading as agent for the proprietary account for a non-member competing market maker.

Individual (80A): an account for an individual as defined by NYSE Rule 80A.

Other Agency: any other non-member or non-member organization.

Short Exempt: short sale transactions that are exempt from the provisions of SEC Rule 10a-1.

Record of orders to members by other than member-organization

Every member shall preserve for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission a record of every order originating on the Floor of the Exchange given to such member for execution and of every commitment or obligation to trade issued from the Floor through ITS or any other Application of the System, and of every order originating off the Floor, transmitted by any person other than a member, allied-member or member-organization, to such member on the Floor, which record shall include the name and amount of the security, the terms of the order, and the time when such order was so given or transmitted.

Record of time on executions and changes

Whenever a cancellation is entered with respect to an order or commitment or obligation to trade, or a report of an execution of an order or commitment or obligation to trade is received, there shall be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission, in addition to the record required by the foregoing paragraph, a record of the cancellation or of the report, which shall include the time of entry.

Open Order Confirmation

All orders entrusted to a specialist will be eligible for execution for as long as they remain open until cancelled by the entering firm or floor broker. Any entering firm or introducing floor broker may confirm the status of any open order at any time.

All open orders confirmed or renewed in the manner of their original entry, including partial executions or reductions in shares, are entitled to retain the same order of priority on the specialist's book. If the entering firm and/or the floor broker fails to correct any open orders that are in error and these opens orders are executed according to their terms, the executions must be accepted by the entering firm or introducing floor broker.

Amended.


September 15, 1993.

November 18, 1993.

July 7, 2005.

RULE, BSE, ¶2029, SEC. 16. Short Sales

SEC. 16. Short Sales

(a) No member or member organization shall, for his or its own account or for the account of any other person, effect on the Exchange a short sale (as defined in Section 17 CFR Part §242.200 of the Securities Exchange Act) of any security registered on, or admitted to unlisted trading privileges on the Exchange if trades in such security are reported pursuant to the consolidated transaction reporting system operated in accordance with a plan declared effective under Securities Exchange Act Rule 17a-15 (a "consolidated system") and information as to such trades is made available in accordance with such plan on a real time basis to vendors of market transaction information; (i) below the price at which the last sale thereof, regular way, was reported in such consolidated system, or (ii) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was reported in a consolidated system.

(b) In determining the price at which a short sale may be effected after a security goes ex-dividend, ex-right or ex-any other distribution, all sale prices prior to the "ex" date may be reduced by the value of such distribution.

(c) No member or member organization shall, for his or its own account or for the account of any other person, effect on the Exchange a short sale of any security not covered by paragraph a) of this rule (if all trades in such security are exempted from reporting pursuant to a consolidated system) (i) below the price at which the last sale thereof, regular way, was effected on the Exchange, or (ii) at such price unless such price is above the next preceding different price at which a sale of such security, regular way, was effected on the Exchange.

(d) (Reserved)

(e) (Reserved)

(f) The provisions of paragraphs a) and c) hereof shall not apply to:

1. Any sale by any person, for an account in which he has an interest, if such person owns the security sold and intends to deliver such security as soon as possible without undue inconvenience or expense;

2. Any member or member organization in respect of a sale, for an account in which he or it has no interest, pursuant to a sell order which is marked "long";

3. Any sale by a registered odd lot dealer on the Exchange to offset odd lot orders of customers;

4. Any sale by a registered odd lot dealer to liquidate a long position which is less than a round
lot, provided such sale does not change the position of such dealer by more than the unit of trading;

(5) Any sale of a security covered by paragraph (a) of this rule (except a sale to a stabilizing bid complying with Securities Exchange Act Rule 242.104) by a registered dealer-specialist or market-maker registered with the Exchange in such security for his or its own account;

(a) effected at a price equal to or above the last sale reported for such security in a consolidated system, or

(b) effected at a price equal to the most recent offer communicated for the security by such registered specialist, registered exchange market maker or third market maker to an exchange or a national securities association pursuant to 240.11Ac1-1, if such offer, when communicated, was equal to or above the last sale, regular way, reported for such security pursuant to an effective transaction reporting plan.

(6) Any sale of a security covered by paragraph c) hereof on the Exchange (except a sale to a stabilizing bid complying with Securities Exchange Act Rule 242.104) effected with the approval of the Exchange, which is necessary to equalize the price of such security thereon with the current price of such security on another national securities exchange which is the principal exchange market for such security;

(7) Any sale of a security for a special arbitrage account by a person who then owns another security by virtue of which he is, or presently will be, entitled to acquire an equivalent number of securities of the same class of the securities sold, provided such sale, or the purchase which such sale offsets, is effected for the bona fide purpose of profiting from a current difference between the price of the security sold and the security owned and that such right of acquisition was originally attached to or represented by another security or was issued to all holders of any such class of securities of the issuer;

(8) Any sale of a security on the Exchange effected for a special international arbitrage account for the bona fide purpose of profiting from a current difference between the price of such security on a securities market not within or subject to the jurisdiction of the United States and on a securities market subject to the jurisdiction of the United States, provided the seller, at the time of such sale knows, or by virtue of information currently received, has reasonable grounds to believe that an offer enabling him to cover such sale is then available to him in such foreign securities market and intends to accept such offer immediately; or

(9) (Reserved)

(10) Any sale by an underwriter, or any member of a syndicate or group participating in the distribution of a security, in connection with an over-allotment of securities, or any lay-off sale by such a person in connection with a distribution of securities through rights or a standby underwriting commitment;

(11) Any sale of a security covered by paragraph (a) of this section (except a sale to a stabilizing bid complying with 242.104) by any broker or dealer, for his own account or for the account of any other person, effected at a price equal to the most recent offer communicated by such broker or dealer to an exchange or association pursuant to 240.11Ac1-1 in an amount less than or equal to the quotation size associated with such offer, if such offer, when communicated, was (i) above the price at which the last sale, regular way, for such security was reported pursuant to an effective transaction reporting plan; or (ii) at such last sale price, if such last sale price is above the next preceding different price at which a sale of such security, regular way, was reported pursuant to an effective transaction reporting plan.

(12) This section shall not prohibit any transaction or transactions which the Commission, upon
written request or upon its own motion or order, exempts, either unconditionally or on specified terms and conditions.

For the purpose of subparagraph (8) hereof a depository receipt of a security shall be deemed to be the same security as the security represented by such receipt.

***Commentary

.01 No member or member organization shall effect on the Exchange a short sale that is not in compliance with the Securities and Exchange Commission’s rules and regulations regarding short sales, including but not limited to, rules and regulations in effect and provided for in Securities Exchange Act Release No. 50103 (July 28, 2004), 69 FR 48008 (August 6, 2004) (“Reg SHO”).

Amended.

July 12, 1976.

May 27, 1981.


SEC. 17.

Stop Orders

In order to reach stop orders, unless otherwise agreed upon, there must have been a sale of one hundred shares at the fixed price, or where a smaller unit has been fixed by the Board of Governors a sale of such unit. In the case where the unit is 100 shares, however, fifty-share lots, or less, will be reached by a sale of fifty or one hundred shares.

It being understood, however, that a bid or offer making such sale possible shall operate to put the stop in force.

Quoting stopped stocks

No quotations on securities, which have been stopped, will be permitted, if objection is raised by any member.

SEC. 18.

Orders to Buy and Sell the Same Security

When a member has an order to buy and an order to sell the same security, he shall audibly offer such security, if bonds, at 1/8 of 1%, and if stocks, at the approved Minimum Price Variation (“MPV”) (as defined in Chapter II, Section 41), higher than his bid before making a transaction with himself.

When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are for 5,000 shares or more and are for accounts other than the accounts of the executing member, the member may cross such orders at a price which is at or within the prevailing bid or offer. The member's bid or offer shall be entitled to priority at such cross price, provided that the proposed cross transaction is of a size greater than the aggregate size of all of the interest communicated on the Exchange floor at that price. Another member may trade with either the bid or offer side of the presented cross transaction only to provide a price
which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction.

Amended.

October 18, 1989.

September 8, 2000.


SEC. 19. Wide Market

Members receiving orders to buy or sell any security in which at the time there is only a wide market, shall exercise due diligence in discovering the fair and proper market before executing such orders, and the Exchange may determine whether such diligence has been exercised in any particular instance, the purpose being that no advantage shall be taken of an absence of orders.

SEC. 20. Undisclosed Compensation

No member or allied-member while acting as agent in the purchase or sale of securities on the Exchange shall receive any compensation for the service other than a commission, without disclosure to the customer.

SEC. 21. Fictitious Transactions

No member, member organization allied-member, or person associated with a member or member organization shall,

(a) effect any transaction which involves no change in the beneficial ownership, or

(b) enter an order or orders for the purchase of any security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the sale of such security, has been or will be entered by or for the same or different parties, or

(c) enter an order or orders for the sale of any security with the knowledge that an order or orders of substantially the same size, at substantially the same time, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

Amended.

October 18, 1989.

SEC. 22. Procedures for Handling Market-On-Close ("MOC") Orders
The following limitations shall apply to Market-on-Close ("MOC") orders.

(a) No MOC orders may be entered after 3:40 p.m. in any stock. Floor brokers representing such orders must indicate their MOC interest to the specialist by 3:40 p.m.

(b) No cancellations of any MOC orders are permitted after 3:40 p.m. in any stock.

(c) (i) As soon as practicable after 3:40 p.m., a publication of MOC order imbalances of 50,000 shares or more in New York Stock Exchange listed securities will be published. As soon as practicable after 3:50 p.m., an additional publication will be made for any stock which had an imbalance publication at 3:40 p.m. If the imbalance is 50,000 shares or more, the size and side of the imbalance will be published. If the imbalance is 50,000 shares or less, a "no imbalance" status will be published, or the size and side of the imbalance may be published with floor official approval.

(ii) As soon as practicable after 3:40 p.m., a single publication of MOC order imbalances of 25,000 shares or more in American Stock Exchange listed securities will be published.

(d) After 3:40 p.m., MOC orders may only be entered to offset published imbalances.

(e) All MOC index arbitrage orders to buy (sell) to establish or increase a position must be canceled if NYSE Rule 80A ("Rule 80A") subsequently goes into effect because of significant upward (downward) market movement, regardless of the time Rule 80A goes into effect. If Rule 80A goes into effect prior to 3:40 p.m., the MOC order may be re-entered with the instruction "buy minus" ("sell plus"). If Rule 80A goes into effect after 3:40 p.m. and there is a published imbalance in the subject stock, the MOC order may be re-entered with the instruction "buy minus" ("sell plus") to offset the imbalance.

Adopted.
March 17, 1994.

Amended.
June 1, 1995.
July 25, 1996.
October 9, 1998.

SEC. 23. Dealing on Other Exchanges, or Publicly Outside the Exchange

Transactions Off the Floor

Rescinded.
June 1, 2000.


Each member, allied-member or member-organization shall report to the Exchange such information as may be required with respect to any substantial option relating to listed securities.
in which such member, allied-member or member-organization is directly or indirectly interested or of which such member, allied-member or member-organization has knowledge by reason of transactions executed by or through such member, allied-member or member-organization.

The Exchange may disapprove of the connection of any member, allied-member or member-organization with any such option which it shall determine to be contrary to the best interest or welfare of the Exchange or to be likely to create prices which will not fairly reflect market values.

SEC. 25. 
Violation of Securities Exchange Act of 1934

Any member, allied-member or associate member who wilfully violates any provision of the Securities Exchange Act of 1934, or any rule or regulation thereunder, shall be deemed guilty of an act inconsistent with just and equitable principles of trade, and the offending member, allied-member or associate member shall be subject to the penalties provided in Article XIV, Section 5 of the Constitution.

Amended.
May 1, 1975.

SEC. 26. 
Anti-Manipulative Provisions

No member, member organization, allied member or person associated with a member or member organization shall execute or cause to be executed, or participate in an account for which there is executed, a purchase of any listed security at successively higher prices, or a sale of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security, or for the purpose of unduly or improperly influencing the market price of such security or for the purpose of establishing a price which does not reflect the true state of the market in such security.

Adopted.
November 5, 1975.

Amended.

SEC. 27. No member, member organization, allied member or person associated with a member or member organization shall directly or indirectly participate in or have any interest in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

For the purpose of this rule:

(a) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of any security eligible for trading on the Exchange by means of options or otherwise and for the purpose of making a profit thereby shall be deemed a manipulative operation.

(b) The soliciting of subscriptions to, or the acceptance of discretionary orders from any such
pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

(c) The carrying on margin of a position in such securities or the advancing of credit through loans to such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

Adopted.

November 5, 1975.

SEC. 28. No member, member organization, allied member or person associated with a member or member organization shall circulate in any manner rumors of a sensational character which he knows or has reasonable grounds for believing are false or misleading or which might reasonably be expected to affect market conditions on the Exchange. Report shall be made promptly to the Exchange of any circumstances which give occasion to believe that any rumor or unsubstantiated information might have been originated or circulated for the purpose of influencing the price of a security eligible for trading on the Exchange.

Adopted.

November 5, 1975.

SEC. 29. An offer to sell coupled with an offer to buy back at the same or an advanced price, or the reverse, is a prearranged trade and is prohibited. This rule applies both to transactions in the unit of trading and in lesser or greater amounts.

Adopted.

November 5, 1975.

SEC. 30. No Specialist may execute a transaction for his own account in a stock in which he is registered that would put into effect any "stop" order he may hold, unless the Specialist guarantees that the stop order will be executed at the same price as the electing sale.

Adopted.

November 5, 1975.

SEC. 31. No member shall offer publicly on the Floor:

(a) To buy or sell securities "at the close";

(b) To buy or sell dividends;

(c) To bet on the course of the market.

Adopted.

November 5, 1975.

SEC. 32. Orders Subject to Section 11(a) of the Securities Exchange Act of 1934

(a) No member or member organization shall effect any transaction in any security on the Exchange for his or its account, the account of an associated person, or an account with respect to which the member, member organization or an associated person thereof exercises investment
discretion. For the purposes of this Rule, the term "associated person" has the meaning set forth in Section 3(a)(21) of the Securities Exchange Act of 1934 (the Act).

(b) The provisions of paragraph (a) of this Rule shall not apply to transactions effected pursuant to the exemptions contained in Section 11(a)(1)(A) through (H) of the Act, or a rule adopted thereunder.

(c) No bid or offer made by a member on an order for the account of such member or member organization subject to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder shall be entitled to priority over, parity with or precedence based on size over any order which is for the account of a person who is not a member, member organization or an associated person thereof.

(d) Immediately before executing an order pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder, a member (other than the specialist in such security) shall clearly announce or otherwise indicate to the specialist and to other members then present in the trading crowd in such security that he is representing an order to be executed pursuant to Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder.

(e) Every order subject to the provisions of Section 11(a)(1)(G) of the Act and Rule 11a1-1(T) thereunder shall bear an identifying notation on the board slip that will enable the executing member to disclose to other members that the order is subject to those provisions.

Amended.

March 18, 1980.

SEC. 33

Execution Guarantee

(a) The Execution Guarantee shall be available to each member firm in all issues traded through the Intermarket Trading System (ITS) and registered to a specialist on the Exchange. Specialists must accept and guarantee execution on all agency market and marketable limit orders on the basis of the NBBO bid on a sell order or the NBBO offer on a buy order at the time an order is received. Sell orders will be satisfied up to the size of the lesser of the NBBO bid or 1299 shares; buy orders up to the lesser of the NBBO offer or 1299 shares. No portion of an order larger than 1299 shares is subject to this public agency guarantee.

(b) Subject to the requirements of the short sale rule, all agency market orders must be filled on the basis of the Consolidated Quotation System best bid or better on a sell order, or the Consolidated Quotation System best offer or better on a buy order.

(c) All agency limit orders will be filled if one of the following conditions occur:

(1) the bid or offering at the limit price has been exhausted in the primary market as defined in the CTA Plan;

(2) there has been a price penetration of the limit in the primary market; or

(3) the issue is trading on the primary market at the limit price unless it can be demonstrated that such order would not have been executed if it had been transmitted to the primary market, or the broker and specialist agree to a specific volume-related or other criteria requiring a fill.

● ● ● Interpretations and Policies: ...
.01 Pre-opening orders must be accepted and filled at the primary market opening.

.02 In trading halt situations occurring on the primary market, orders will be executed based on the reopening price.

.03 Simultaneous orders must be executed pursuant to the provisions of the Rule up to an accumulated size equal to the prevailing NBBO displayed size on receipt of the order.

.04 For purposes of limit order execution, size will be governed by that displayed on the Consolidated Quotation System ("CQS").

.05 If the displayed quotations of the Consolidated Quotation System can be demonstrated to be in error or a market center is experiencing system problems which result in an invalid quotation in CQS, an adjustment in execution price may be allowed as prescribed in .06.

.06 In unusual trading situations or in the event of an equipment failure, a specialist or floor broker may seek relief from the requirements of this rule from two out of three Floor Officials (floor members of the Market Performance Committee or Board of Governors).

Adopted.
July 15, 1980.

Amended.
March 1, 1982.
October 14, 1982.
August 1, 1983.
May 12, 1997.

SEC. 34A

Trading Halts Due to Extraordinary Market Volatility

(a) Trading in stocks shall halt on the Exchange and shall not reopen for the time periods described in this paragraph (a) if the Dow Jones Industrial Average SM ("DJIA") reaches Level 1 below its closing value on the previous trading day:

(i) before 2:00 p.m. EST for one hour;

(ii) at or after 2:00 p.m. EST, but before 2:30 p.m. EST, for 30 minutes.

If the DJIA reaches Level 1 below its closing value on the previous trading day at or after 2:30 p.m. EST, trading shall continue on the Exchange until the close, unless the DJIA reaches Level 2 below its closing value on the previous trading day, at which time trading shall be halted for the
remainder of the day.

(b) Trading in stocks shall halt on the Exchange and shall not reopen for the time periods described in this paragraph (b) if the DJIA reaches Level 2 below its closing value on the previous trading day:

(i) before 1:00 p.m. EST for two hours;

(ii) at or after 1:00 p.m. EST, but before 2:00 p.m. EST, for one hour;

(iii) at or after 2:00 p.m. EST for the remainder of the day.

(c) If the DJIA reaches Level 3 below its closing value on the previous trading day, trading in stocks shall halt on the Exchange and shall not reopen for the remainder of the day.

●●● Supplementary Material: ...

.10 Levels 1, 2 and 3 shall be calculated at the beginning of each calendar quarter, using the average closing value of the DJIA for the month prior to the beginning of the quarter. Level 1 shall be 10% of such average closing value calculation; Level 2 shall be 20% of such average closing value calculation; and Level 3 shall be 30% of such average closing value calculation. Each level shall be rounded to the nearest fifty points. The values of Levels 1, 2 and 3 shall remain in effect until the next calculation.

.20 The restrictions in this Rule shall apply whenever the Dow Jones Industrial Average ("DJIA") reaches the trigger values, notwithstanding the fact that, at any given time, the calculation of the value of the average may be based on the prices of less than all of the stocks included in the average.

.30 The reopening of trading following a trading halt under this Rule shall be conducted pursuant to procedures adopted by the Exchange and communicated by notice to its members and member organizations.

.40 Nothing in this Rule should be construed to limit the ability of the Exchange to otherwise halt or suspend the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

Adopted.


Amended.

July 19, 1996.


April 15, 1998.
SEC. 34B. Limitations on Trading During Significant Market Moves

(a) All index arbitrage orders to sell any component stock of the S&P 500 Stock Price Index must be entered with the instruction "sell plus" on any trading day when the Dow Jones Industrial Average declines below its closing value on the previous trading day by at least the "two-percent value" as calculated below. This index arbitrage order entry requirement shall remain in effect for the remainder of the trading day. However, the index arbitrage order entry requirement pursuant to this paragraph (a) shall be removed if the DJIA subsequently reaches a value below its closing value on the previous trading day that is a decline equal to the "one-percent value" or less as calculated below.

(b) All index arbitrage orders to buy any component stock of the S&P 500 Stock Price Index must be entered with the instruction "buy minus" on any trading day when the DJIA advances above its closing value on the previous trading day by at least the "two-percent value" as calculated below. This index arbitrage order entry requirement shall remain in effect for the remainder of the trading day. However, the index arbitrage order entry requirement pursuant to this paragraph (b) shall be removed if the DJIA subsequently reaches a value above its closing value on the previous trading day that is an advance equal to the "one-percent value" or less as calculated below.

(c) The principles in paragraphs (a) and (b) shall govern the imposition and removal of the index arbitrage order requirements as to all subsequent movements in the DJIA on that day.

● ● ● Supplementary Material: ...

.10 The "two-percent value" shall be calculated at the beginning of each calendar quarter and shall be two-percent (2.0%), rounded down to the nearest ten points, of the average closing value of the DJIA for the last month of the previous quarter. The "one-percent value" shall be one-half, rounded down to the nearest ten points, of the "two percent value".

.20 The index arbitrage order entry restrictions shall not apply to index arbitrage market-at-the-close orders in liquidation of previously established stock positions against derivative index products entered on the last business day prior to the expiration or settlement of such derivative index products. Such orders shall be entered pursuant to each procedures as the Exchange may from time to time prescribe.

.30 All orders containing the instruction "buy minus" or "sell plus" shall be executed as provided in Chapter I, Section 3.

.40 Definitions. (a) For purposes of this Rule, "index arbitrage" means a trading strategy in which pricing is based on discrepancies between a "basket" or group of stocks and the derivative index product (i.e., a basis trade) involving the purchase or sale of a "basket" or group of stocks in conjunction with the purchase or sale, or intended purchase or sale, of one or more derivative index products in an attempt to profit by the price difference between the "basket" or group of stocks and the derivative index products. While the purchase or sale of the stocks must be in conjunction with the purchase or sale of derivative index products, the transactions need not be executed contemporaneously to be considered index arbitrage. The term "derivative index products" refers to cash-settled options or futures contracts on index stock groups, and options on any such futures contracts.

(b) "Program trading means either (A) index arbitrage or (B) any trading strategy involving the
related purchase or sale of a "basket" or group of 15 or more stocks having a total market value of $1 million or more. Program trading includes the purchases or sales of stocks that are part of a coordinated trading strategy, even if the purchases or sales are neither entered or executed contemporaneously, nor part of a trading strategy involving options or futures contracts on an index stock group, or options on any such futures contracts, or otherwise relating to a stock market index.

(c) "Account of an individual investor" means an account covered by Section 11(a)(1)(E) of the Securities Exchange Act of 1934.

Adopted.
July 19, 1996.

Amended.
March 25, 1999.

SEC. 35
Stop Order Bans

(a). Whenever the primary market for a stock admitted to dealings on the Boston Stock Exchange institutes a stop and stop limit order ban, the Exchange will also ban such orders in the stock until such time as the ban in the primary market is lifted.

● ● ● Supplementary Material: ...

Stop Order Ban Procedures

.01. Whenever the primary market implements a stop order ban in an individual stock due to an unusually large accumulation of stop and stop limit orders, the BSE will also ban such orders as follows:

(i) Upon notice from the primary market by indication over the consolidated tape that stop and stop limit orders are banned in an individual stock, the Boston Stock Exchange will announce to its floor and BEACON subscribers that a stop order ban is in effect in the individual stock.

(ii) The entry of stop and stop limit orders will be banned until such time as the ban is lifted in the primary market and that information is disseminated on the consolidated tape. Any orders received in the BEACON system will be rejected and the message "stop not accepted --ban in effect" will be sent back to the entering firm.

(iii) Any stop and stop limit orders residing on the specialist's book at the time the ban goes into effect will be canceled by the Exchange. The cancellation message "U R Out" will be sent back to the entering firm.
Adopted.

Amended.
October 1, 1993.
March 25, 1999.

SEC. 36.
Specialist Member Organizations Affiliated with an Approved Person

(a) An Exchange specialist firm affiliated with an approved person must establish functional separation (a "Chinese Wall") as appropriate to its operation and further establish, maintain and enforce written procedures reasonably designed to prevent the misuse of material, non-public information, which includes review of employee and proprietary trading, memorialization and documentation of procedures, substantive supervision of inter-departmental communications by the Exchange specialist firm's Compliance Department and procedures concerning proprietary trading when the firm is in possession of material, non-public information. The Exchange specialist firm must obtain the prior written approval of the Exchange that it has complied with the requirements above in establishing functional separation as appropriate to the operation and that it has established proper compliance and audit procedures to ensure the maintenance of the functional separation. A copy of these Chinese Wall procedures, and any amendments thereto, must be filed with the Exchange Surveillance Department.

(b) The following are the minimum procedural and maintenance requirements:

(1) The specialist's book must be kept confidential in accordance with Chapter XV(g).

(2) The approved person can have no influence on specific specialist trading decisions.

(3) Material, non-public corporate or market information obtained by the approved person from the issuer may not be made available to the specialist.

(4) Clearing and margin financing information regarding the specialist may be routed only to employees engaged in such work and managerial employees engaged in overseeing operations of the approved persons and specialist entities.

(c)(1) A broker affiliated with an associated approved person may make available to the specialist only the market information that he would make available to an unaffiliated specialist in the normal course of his trading and "market probing" activity. (2) A specialist may make known to a broker affiliated with an approved person only the information about market conditions in specialty stocks that he would make available in the normal course of specializing to any other broker and in the same manner as it would make such information available to any other broker. The specialist may make such market information available only upon request of the broker of the affiliated approved person and may not provide such information on its own initiative. (3) An approved person can popularize a specialty stock provided it makes adequate disclosure about the existence of possible conflicts of interest.

(d) A specialist who becomes privy to material, non-public information must communicate that fact promptly to his firm's compliance officer or other designated official. The specialist shall seek guidance from the compliance officer or other designated official as to what procedures the specialist should follow after receipt of such information or such other action that should be taken.
Appropriate records shall be maintained by the compliance officer or other designated official. The record should include a summary of the information received by the specialist and a description of the action taken by the compliance officer or other designated official. If the "book" is given up to another member of the specialist unit who is not in possession of the information or an independent specialist unit, the book must be transferred in a neutral fashion to ensure that the transfer itself does not disclose the material, non-public information and the Exchange must be immediately informed and a record kept of the time the specialist reacquired the book reflecting acknowledgement by the compliance officer that the reacquisition was appropriate.

(e) The Exchange has established the following procedures to monitor compliance with this rule:

(1) Examination of the Chinese Wall procedures established by Exchange specialist firms.

(2) Surveillance of proprietary trades effected by an approved person and its affiliated specialist member organization.

Accordingly, the Exchange will conduct periodic examinations of the specialist firm's Chinese Wall procedures to ensure that a functional separation between the approved person and the specialist organization has been created and thereafter maintained. The Exchange will also monitor the trading activities of approved persons and affiliated specialists in the firm's specialty stocks in order to monitor the possible trading while in possession of material, non-public information through the periodic review of trade and comparison reports generated by the Exchange.

Adopted.

May 18, 1994.

SEC. 37

ITSFEA Procedures

(a) Every member organization shall establish, maintain and enforce written policies and procedures reasonably designed, taking into consideration the nature of such member's business, to prevent the misuse of material, non-public information by such member or persons associated with such member. Members that are required, pursuant to this rule, to file SEC Form X-17A-5 with the Exchange on an annual basis shall file contemporaneously with those submissions, signed statements by such members that the procedures mandated by this rule have been established, enforced and maintained. Any member or associated person, who is subject to this rule, who becomes aware of a misuse of material, non-public information must promptly notify the Exchange's Market Surveillance Department.

(b) In the instance where a BSE member organization has adopted written supervisory procedures relating to ITSFEA in connection with requirements under another Designated Examining Authority ("DEA"), which comply with the requirements of the DEA, that member organization shall not be subject to the Exchange requirements set forth in paragraph (a).

Supplementary Material: ...

.01 For purposes of this rule, conduct constituting the misuse of material, non-public information includes, but is not limited to, the following:

(a) trading in any securities issued by a corporation, or in any related securities or related options...
or other derivative securities, while knowingly in possession of material, non-public information concerning that issuer;

(b) trading in a security or related options or other derivative securities, while in possession of material, non-public information concerning imminent transactions in the security or related securities; and

(c) disclosing to another person or entity any material, non-public information involving a corporation whose shares are publicly traded or an imminent transaction in an underlying security or related securities for the purpose of knowingly facilitating the misuse of such material, non-public information.

.02 The term "associated person" and "person associated with a member" shall mean any partner, officer, director, or branch manager of a member (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with a member, or any employee of a member.

.03 At a minimum, each member is required to establish, maintain and enforce the following policies and procedures:

(a) all associated persons must be advised in writing of the prohibition against the misuse of material, non-public information;

(b) each member organization, and all persons associated with that member organization, must sign statements affirming their awareness of and agreement to abide by the afore-mentioned prohibitions. These signed statements must be maintained for at least three years, the first two years in an easily accessible place;

(c) each member organization must maintain copies of trade confirmations and monthly account statements for each account in which an associated person (1) has a direct or indirect interest or (2) makes investment decisions. These trade confirmations and monthly account statements must be maintained for at least three years, the first two years in an easily accessible place. Such brokerage accounts must be reviewed at least quarterly by the member organization for the purpose of detecting the misuse of material, non-public information;

(d) all associated persons must disclose to the member organization whether they, or any person in whose account they have a direct or indirect financial interest, or make investment decisions, is an officer, director, or 10% shareholder in a company whose shares are publicly traded. Any transaction in the stock (or option thereon) of such company shall be reviewed to determine whether the transaction may have involved a misuse of material, non-public information.

Maintenance of the foregoing policies and procedures may not, in all cases, satisfy the requirements of this rule; the adequacy of each member's policies and procedures will depend upon the nature of such member's business.

.04 The Exchange has developed sample forms, denominated as the "ITSFEA Compliance Procedures" (in reference to the Insider Trading and Securities Fraud Enforcement Act of 1988), which may be used by certain eligible member organizations to facilitate their compliance with the recordkeeping and filing requirements of this rule. Use of these forms does not create a presumption by the Exchange that any particular member has satisfied the requirements of this rule.
Adopted.


SEC. 38.  Stopping Stock

(a) Stop Constitutes Guarantee -- An agreement by a member or member organization to "stop" securities at a specified price shall constitute a guarantee of the purchase or sale by him or it of the securities at the price or its equivalent in the amount specified.

(b) Stopping Stock -- A specialist may stop stock when a member, acting on behalf of either a public customer's account or an account in which such member or another member has an interest, makes an unsolicited request that a specialist grant him a stop if, after the granting of the stop, the spread between the bid and offer is reduced in any case where, prior to the granting of the stop, the spread in the quotation was not less than twice the minimum variation of trading in the stock (see subsection (d) and Interpretation .50 regarding stopping stock in minimum variation markets).

(c) Liability for Stopped Orders -- If an order is executed at a less favorable price than that agreed upon, the member or member organization which agreed to stop the securities shall be liable for an adjustment of the difference between the two prices.

(d) Stopping Stock in Minimum Variation Markets -- In the case of a minimum variation market, a stopped sell order will be filled when a transaction takes place at the bid price or lower on the primary exchange, or when the Exchange's displayed share volume at the offering has been exhausted. A stopped buy order will be filled when a transaction takes place at the offering price or higher on the primary exchange, or when the Exchange's displayed share volume at the bid has been exhausted. Notwithstanding the foregoing, all orders stopped pursuant to this paragraph shall be executed by the end of the trading day on which such order was stopped at no worse than the stopped price.

● ● ● Interpretations: ...

.10 In accordance with the Exchange's price protection rules, stopped orders will be filled based on trades that occur in the primary market.

.20 In granting a stop in a minimum variation market, a specialist should change the quoted bid (offer) size in order to reflect the size of the order being stopped.

Adopted.

December 8, 1994.

Amended.

April 22, 1996.

SEC. 39.
Periodic Reports

Member organizations shall submit, as required by the Exchange, periodic reports with respect to short positions in securities.

● ● ● Supplementary Material: ...

.01 Short Positions --Member organizations for which the Exchange is the designated examining authority ("DEA") are required to report short positions, including odd-lots, in each stock or warrant traded on the Exchange, and in each other stock or warrant otherwise reported to another United States securities exchange or association, using such automated format and methods as prescribed by the Exchange. Such reports must include customer and proprietary positions and must be made at such times and covering such time period as may be designated by the Exchange. Member organizations whose short positions have properly been reported to, and are carried by, a non-member clearing organization will be in compliance with this rule if adequate arrangements have been made providing for the clearing organization to properly report such positions to the Exchange or to another United States securities exchange or association.

"Short" positions to be reported are those resulting from "short" sales as defined in Securities and Exchange Commission Regulation §242.200, but excluding positions resulting from sales specified in clauses (1), (6), (7), (8), and (10) of paragraph (e) of Rule 10a-1. Also to be excluded are "short" positions carried for other members and member organizations reporting for themselves.

Only one report should be made for each stock or warrant in which there is a short position. If more than one "account" has a short position in the same stock or warrant, the combined aggregate should be reported.

Member organizations for which the Exchange is not the DEA must report short positions to its DEA if such DEA has a requirement for such reports. If the DEA does not have such a reporting requirement, then such member organization must comply with the provisions of this rule.

Adopted.

Amended.

SEC. 40.

Limit Order Display Rule

All customer Limit Orders shall be immediately (defined as no later than 30 seconds) displayed upon receipt, unless specifically exempted under SEC Rule 11Ac1-4 of the Securities Exchange Act of 1934.

(a) More specifically, SEC Rule 11Ac1-4 provides that a specialist must, under normal market conditions, "immediately" (i.e, no later than 30 seconds) display such order in the bid or offer that
reflects:

(i) the price and the full size of each customer limit order held by the specialist that is at a price that would improve the bid or offer price displayed by such specialist in such security; and

(ii) the full size of each customer limit order held by the specialist that:

(A) is priced equal to the bid or offer of such specialist for such security;

(B) is priced equal to the national best bid or offer; and

(C) represents more than a de minimus change in relation to the size associated with the specialist's bid or offer (more than 10% of the current quote size - must aggregate de minimus orders in calculating 10%).

(b) Exceptions. The requirements in paragraphs (i) and (ii) above shall not apply to any customer limit order:

(i) that is executed upon receipt of the order;

(ii) that is placed by a customer who expressly requests, either at the time that the order is placed or prior thereto, pursuant to an individually negotiated agreement with respect to such customer's orders, that the order not be displayed;

(iii) that is an odd-lot order;

(iv) that is a block size order (10,000 shares or more or a market value of $200,000 or more), unless a customer placing such order requests that the order be displayed (block size limit order - may accumulate partial executions and go below 10,000 shares without required display based on original block size exception);

(v) that is delivered immediately upon receipt to an exchange or association-sponsored system, or an electronic communications network that complies with the requirements of SEC Rule 11Ac1-1(c)(5)(ii) with respect to that order;

(vi) that is delivered immediately upon receipt to another exchange member that complies with the requirements of this section with respect to that order; or

(vii) that is an "all or none" order.

● ● ● Interpretation: ...

(i) A customer short sale limit, if such display would cause an execution on a minus or zero-minus tick, should not be displayed. However, a customer short sale limit should be displayed where the order is eligible for execution if the application of a price test has been suspended by Commission rule, motion or order.

(ii) BSE sole-listed issues are exempted.

(iii) "Marker" orders are permissible for those limit orders that qualify for an exception to SEC Rule 11Ac1-4.

(iv) A specialist may send a partial "marker" only with explicit customer authorization.
(v) The limit order display does not require a specialist to immediately display an order that would
lock or cross the market. However, the specialist, if after using reasonable and efficient means,
attempted but was unable to trade with the displayed market, the limit order must be displayed
even if it locks or crosses the market.

Adopted.


Amended.


SEC. 41.

Minimum Price Variation

The Minimum Price Variation shall be 0.01. The Exchange shall not display, rank or accept any
bid, offer, or order in a security priced in an increment smaller than $0.01 if that bid, offer or order
is priced equal to or greater than $1.00. The Exchange may execute and report Mid-Point Cross
Orders, and certain Preferred Price Cross Orders as set forth in Chapter XXXVII, Section
2(c)(i)(J), in increments as small as one-half of the Minimum Price Variation.

Adopted.

September 8, 2000.

Amended.

August 5, 2002.


September 29, 2006.

SEC. 42.

Anti-Money Laundering Compliance Program

Each member organization and each member not associated with a member organization shall
develop and implement a written anti-money laundering program reasonably designed to achieve
and monitor compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.),
and the implementing regulations promulgated thereunder by the Department of the Treasury.
Each member organization's anti-money laundering program must be approved, in writing, by a
member of senior management.

The anti-money laundering programs required by this Section shall, at a minimum:

(1) Establish and implement policies and procedures that can be reasonably expected to detect
and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing
regulations thereunder;
(2) Establish and implement policies and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;

(3) Provide for independent testing for compliance to be conducted by Participant personnel or by a qualified outside party;

(4) Designate, and identify to the Exchange (by name, title, mailing address, e-mail address, telephone number, and facsimile number) a person or persons responsible for implementing and monitoring the day-to-day operations and internal controls of the program and provide prompt notification to the Exchange regarding any change in such designation(s); and

(5) Provide ongoing training for appropriate persons.

Adopted.


Sec. 43

Riskless Principal Transactions

(1) A “riskless principal transaction” is a two-legged transaction in which a member, (i) after having received an order to buy a security that it holds for execution on the Exchange, contemporaneously purchases the security as principal at the same price, exclusive of markups, markdowns, commissions and other fees, to satisfy all or a portion of the order to buy or (ii) after having received an order to sell a security that it holds for execution on the Exchange, contemporaneously sells the security as principal at the same price, exclusive of markups, markdowns, commissions and other fees, to satisfy all or a portion of the order to sell.

(2) A last sale report for only the initial principal leg of the transaction shall be submitted in accordance with the rules and procedures of the market where the transaction occurred. The second “riskless principal” leg of the transaction must still be submitted and executed on the Exchange as with any other order, but the Exchange will not report that leg of the transaction to the respective consolidated tape. As applicable, the riskless principal leg may be submitted to the Exchange for execution as either (i) a non-tape, clearing-only order with a “CTA no-print” indicator if a clearing report is necessary to clear the transaction; or (ii) a non-tape, non-clearing order with a “CTA no-print” indicator if a clearing report is not necessary to clear the transaction.

(3) A member must have written policies and procedures to assure that its riskless principal transactions comply with this Section. At a minimum these policies and procedures must require that the customer order be received prior to the offsetting transactions, and that the offsetting transactions be executed contemporaneously with the original transaction. A member must also have supervisory systems in place that produce records that enable the member and the Exchange to accurately and readily reconstruct, in a time-sequenced manner, all orders for which a member relies on the riskless principal exemption.

Adopted.

February 24, 2005.
Chapter IIB – Post 4:00 P.M. Trading

SEC 1.  Application of Chapter

This chapter applies to the facilitation of certain orders after the close of the 9:30 a.m. to 4:00 p.m. Primary Session. All other provisions of the Constitution and Rules of the Exchange are applicable unless superseded by this chapter.

Amended.

October 29, 1999.

SEC 2  GTX Orders

(a) A GTX order is defined as an unconditioned GTC order designated by the entering broker as executable at 5:00 p.m. at the primary market closing price. (A GTC order is defined in Chapter I, Section 3.)

(b) A one-sided single stock order ("OS") is defined as a buy or sell order (round lots only) entered after 4:00 p.m. for execution in an after-hours trading session.

(c) A two-sided single stock order ("TS") is defined as a coupled buy and sell order (round and partial round lots permitted) entered after 4:00 p.m. for execution in an after-hours trading session.

(d) In order to facilitate GTX orders, the Exchange will require its specialists to accept cancellations until 5:00 p.m., and issue trade reports, as necessary, on GTX orders at the primary market closing prices at or shortly after 5:00 p.m. With respect to Section 33.01(c) of the Execution Guarantee Rule, if the issue has traded at the limit price in a primary market's after-hours trading session, the Boston specialist will fill limit orders, designated as GTX, based on volume that prints in the primary market's after-hours trading session.

Adopted.


Amended.

October 29, 1999.

SEC 3.  Post Primary Session

To be eligible for execution during the Post Primary Session ("PPS"), an order must be designated "PPS." The PPS is an extension of the Exchange's auction market and, as such, Exchange rules applicable to floor trading during the Primary Session continue to apply unless otherwise indicated below.

(a) ITS trading will continue among the four regional exchanges, including Chicago, Philadelphia,
Pacific, and Boston.

(b) Beacon will continue to operate as a routing system for PPS eligible orders, but will not provide an automatic execution mechanism.

(c) There will be no book quote available:

(i) Limit orders on the book from the Primary Session are not eligible for the PPS and must be carried over to the next day.

(ii) The Limit Order Display Rule will remain in effect for any limit orders received during the PPS and must be displayed manually.

(d) The Execution Guarantee Rule will not be available in any form during the PPS.

Adopted.

October 29, 1999.

SEC. 4.
Facilitation of Customer Average Pricing Programs "CP"s Eligible for Reporting During PPS

This section applies to the facilitation of certain transactions hereinafter referred to as Customer Average Pricing Programs, "CP"s, which are reported during the PPS to facilitate transactions in single issue, or portfolios of stocks. In order to be eligible under this rule, all CPs must facilitate customer-to-customer (agency), or customer-to-principal (principal) average pricing programs that are based on primary market average prices. For the purposes of this Section and Section 5, only those stocks that are listed on the Exchange, or that are traded pursuant to Unlisted Trading Privileges (UTP), shall be eligible for these programs.

(a) CPs are not exposed to the Exchange's PPS auction, are not price protected during PPS, and thus, may not be broken-up upon entry to the Exchange.  

(b) CPs must be electronically communicated to the Exchange via BEACON, identified as "CP" on each cross, entered by symbol and price, into the system, identified as to 'principal' or 'agency', and when applicable, identified as 'short exempt'. The time slice must be identified on the cross, identifying the beginning and ending slice for CP entered crosses.

BEACON will record the transaction for Tape reporting with the identifier "W", to the nearest fraction or decimal eligible for reporting by the Exchange.

(c) The following CP crossed orders are eligible for Reporting during the PPS:

(i) Primary Market Average Price --Benchmark +/- (Plus or Minus). This CP Program provides customers with average pricing based on the primary market's trading session transactions that are reported to the consolidated tape. The Benchmark is the primary market's average price for the duration of the CP Program. If the Benchmark is exceeded, the customer will receive a better price. If the Benchmark is not reached, the customer will receive a price less than the Benchmark price.

(ii) Primary Market Average Price --Guaranteed. This CP Program provides customers with a guarantee of receiving the Benchmark. Customers electing to participate in this Program will not
be eligible to obtain a better, or an inferior price.

(iii) **Primary Market Average Price --Stop.** This CP Program provides customers with the Benchmark, or better.

**Adopted.**


1These orders are not afforded price protection generally available to members under BSE Rules of Board of Governors, Chapter II, Section 33., Execution Guarantee

**SEC. 5.**

**After-Hours Risk Portfolio Crosses “RP”s Eligible for PPS**

After-Hours Risk Portfolio Crosses, "RP”s, provide customers with the ability to sell (buy) baskets of stocks (at least 15 stocks, $1 million or more in value) where the member firm guarantees to the customer the primary market closing price, less a discount (plus a premium) for the components that comprise the basket.

(a) RPs are not exposed to the Exchange's PPS auction, and are not price protected2.

(b) RPs must be electronically communicated to the Exchange via BEACON, identified as "RP" on each cross, entered by symbol and price, into the system, identified as ‘principal’ or ‘agency’, and if appropriate identified as ‘short exempt’. BEACON will record and enter the transaction, and report RPs to the consolidated tape in the aggregate. BEACON will record these transactions as RP Programs and provide regularly available information on aggregate volume levels by individual stock components on T + 3, or thereafter3.

**Adopted.**


2These orders are not afforded price protection generally available to members under BSE Rules of Board of Governors, Chapter II, Section 33., Execution Guarantee.3 Transactions which occur "regular way" will settle within the standard T§3 settlement period. Cash settlements may settle beyond the standard T§3 settlement period, according to the agreement of the parties to the transaction. The overwhelming majority of transactions occur "regular way".

**Chapter IIC – Extended Hours Crossing Session**

**SEC. 1** This chapter applies to the facilitation of certain orders outside of the 9:30 a.m. to 4:00 p.m. Primary Session, and the 4:01 to 4:15 p.m. Post Primary Session. All other provisions of the Constitution and Rules of the Exchange are applicable unless superseded by this chapter.

**Adopted.**

March 1, 2004.

**SEC. 2**
Extended Trading Session Hours

The Extended Trading Session ("ETS") will operate from 8:00 a.m. to 9:28 a.m., and from 4:16 p.m. to 6:30 p.m. EST, on every day the Exchange is open for the transaction of business. Trades executed and reported outside of the Primary Trading Session shall be designated as .T trades.

Adopted.
March 1, 2004.

SEC. 3

ETS

To be eligible for execution during the ETS, an order must be designated "ETS." The ETS is an extension of the Exchange's auction market and, as such, Exchange rules applicable to floor trading during the Primary Session continue to apply unless otherwise indicated below.

(a) BEACON will continue to operate as a routing system for ETS eligible orders.
(b) There will be no book quote available.
(c) The Execution Guarantee Rule will not be available in any form during the ETS.

Adopted.
March 1, 2004.

SEC. 4

Customer Disclosures

No member may accept an order from a customer for execution in the ETS without disclosing to such customer that:

(1) only matched orders are eligible for execution during the ETS;
(2) a matched order must be designated specifically for trading in the ETS to be eligible for trading in the ETS; and
(3) extended hours trading involves material trading risks, including the possibility of lower liquidity, high volatility, changing prices, unlinked markets, an exaggerated effect from news announcements, wider spreads and any other relevant risk.

The disclosures required pursuant to this subparagraph (3) may take the following form or such other form as provides substantially similar information:

1. Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours.

2. Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when
trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, you may receive an inferior price in extended hours trading than you would during regular markets hours.

3. Risk of Changing Prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening of the next morning. As a result, you may receive an inferior price in extended hours trading than you would during regular market hours.

4. Risk of Unlinked Markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

5. Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

6. Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Adopted.

March 1, 2004.

SEC. 5

Order Execution

Only matched orders will be executed during the ETS. For the purposes of this Chapter IIC, "Matched Orders" shall mean orders submitted by members on both sides of the market (i.e. a "buy" and a "sell") which match exactly as to security, size, price and time of entry. Any order submitted for execution during ETS, and designated for execution in ETS, but which is not a Matched Order, will be systemically rejected. All Matched Orders designated for execution in ETS will be executed in BEACON upon receipt.

Adopted.

March 1, 2004.

SEC. 6

Orders for Primary Session

Orders for the Primary Session can be entered during the 8:00 a.m to 9:28 a.m period of the ETS. Orders not specifically designated for execution in ETS, and which are otherwise eligible for execution in the Primary Session, and which are submitted between 8:00 a.m. and 9:28 a.m. will be retained for entry into the Primary Session, and will become eligible for execution at 9:30 a.m.

Adopted.

March 1, 2004.
Chapter III – Comparisons – Liability on Contracts

SEC. 1. Reporting Transactions

It shall be the duty of every member to report each of his transactions as promptly as possible to his office, where prompt verification shall be made with the comparison report received from the Boston Stock Exchange Clearing Corporation.

SEC. 2. Penalty for Neglect

Neglect of a member to comply with the provisions of Section 1 shall render him liable to a fine not exceeding five hundred dollars.

SEC. 3. Errors in Comparison

Should a difference be discovered in making comparison, the exact liability of the disputant shall be promptly established by purchase, sale, or mutual agreement.

SEC. 4. Failures to Compare

No comparison, or failure to compare, and no notification or acceptance of notification, shall have the effect of creating or of canceling a contract or of changing the terms or parties thereof, or of releasing the original parties from liability. The Exchange shall have no liability in relation to any of the original parties to a contract entered into by a member, allied-member, or member-organization.


SEC. 5. Substitution of Principals

No party to a contract shall be compelled to accept a substitute principal unless the name proposed to be substituted shall be declared in making the offer and is a part thereof. Floor brokers failing to give up their principals before 4:00 p.m. of the day of the transaction may be held as principals.

Amended. October 1, 1974.

SEC. 6. Floor Broker's Responsibility
The floor broker giving up his principal before 4:00 p.m. shall not be responsible for the trade thereafter unless he is notified before the close of the Exchange session the following business day, of the inability of such principal to complete the comparison.

Amended.

October 1, 1974.

SEC. 7.  

Book-Entry Settlement

(a) A member, member organization or affiliated member of the Clearing Corporation shall use the facilities of a securities depository for the book-entry settlement of all transactions in depository eligible securities with another financial intermediary or a member of a national securities exchange or a registered securities association.

(b) A member, member organization or affiliated member of the Clearing Corporation shall not effect a delivery-versus-payment or receipt-versus-payment transaction in a depository eligible security with a customer unless the transaction is settled by book-entry using the facilities of a securities depository.

(c) For purposes of this rule, the term "securities depository" shall mean a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934.

(d) The term "depository eligible securities" shall mean securities that (i) are part of an issue (as identified by a single CUSIP number) of securities that is eligible for deposit at a securities depository and (ii), with respect to a particular transaction, are eligible for book-entry transfer at the depository at the time of settlement of the transaction.

(e) This rule shall not apply to transactions that are settled outside of the United States.

(f) The requirements of this rule shall supersede any inconsistent requirements under the Constitution and Rules of the Boston Stock Exchange and the Rules of the Clearing Corporation.

(g) This rule shall not apply to any transaction where the securities to be delivered in settlement of the transaction are not on deposit at a securities depository and

(i) if the transaction is for the same-day settlement, the deliverer cannot by reasonable efforts deposit the securities in a securities depository prior to the cut-off time established by the depository for the same-day crediting or deposited securities, or

(ii) the deliverer cannot by reasonable efforts deposit the securities in a depository prior to a cut-off date established by the depository for that issue of securities.

Adopted.


SEC. 8.  

Depository Eligibility Rule

(a) Before any issue of securities of a domestic issuer (not including American Depository
Receipts for securities of a foreign issuer) is listed on the Exchange on or after June 7, 1995, the Exchange must have received a representation from the issuer that a CUSIP number identifying the securities has been included in the file of the eligible issues maintained by a securities depository registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 ("securities depository" or "securities depositories"), except that this paragraph shall not apply to a security if the terms of the security do not and cannot be reasonably modified to meet the criteria for depository eligibility at all securities depositories.

(b) A security depository's inclusion of the CUSIP number identifying a security in its file of eligible issues does not render a security "depository eligible" within the meaning of Section 7 until:

(i) in the case of any new issue distributed by an underwriting syndicate on or after the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available, the commencement of trading in such security on the Exchange, or

(ii) in the case of any new issue distributed by an underwriting syndicate prior to the date a securities depository system for monitoring repurchases of distributed shares by the underwriting syndicate is available where the managing underwriter elects not to deposit the securities on the distribution date, such date as is the subject of a notification submitted by the managing underwriter to the securities depository but in no event more than three months after the commencement of trading in such security on the Exchange.

Adopted.

June 1, 1995.

Chapter IV – Contracts on Time – Deposits On

SEC. 1. Interest Thereon

Transactions for more than three days shall carry interest at six per cent, unless otherwise agreed, or unless a different rate has been fixed by the Exchange. On such contracts one day's notice shall be given, at or before 2:15 p.m., before the securities shall be deliverable prior to the maturity of the contract.

SEC. 2. Falling Due on Holidays

All contracts, including loans of money or securities, falling due on holidays or half-holidays observed by the Exchange shall be settled on the next succeeding full business day.

SEC. 3. Deposits Required

In all contracts on time, deposits may be demanded by either party at any time during the existence of the contract, viz.:

On all stocks sold for fifty dollars per share or more --ten dollars per share.
Between twenty-five and fifty dollars per share --twenty per cent of the price of sale.

From fifteen to twenty-five dollars per share --five dollars per share.

Under fifteen dollars per share --thirty per cent of the price of sale.

In case of variation in market price of stocks bought or sold, a further deposit shall be made if called for by either party to keep the margin good according to the above scale, during the existence of the contract.

SEC. 4.

Failure to Make Deposit

Failure of either party to a contract to comply with a demand for a deposit shall constitute a default; and the other party to the contract may report such default to the Exchange, and instruct it to re-establish the contract forthwith, by a new purchase or sale "under the rule", and any difference arising therefrom, shall be paid to the party entitled thereto.

Written notice of intention to re-establish the contract shall be sent to the office of the party in default.

SEC. 5.

Deposits --Where Made

Unless otherwise mutually agreed, deposits on contracts shall be made in an institution determined by the Treasurer of the Exchange.

Chapter V – Unit of Delivery – Payment for Deliveries – Transfers

SEC. 1.

Current Securities --Size of Delivery --Bonds

Stocks and other securities offered for sale at the Exchange must be of such a description as are generally current in the market, and in the case of bonds, of not more than five thousand dollars and not less than five hundred dollars each; if otherwise, it shall be so stated by the seller when offering such securities for sale.

SEC. 2.

Unit of Delivery --Payment for Deliveries --Transfers

In all deliveries of securities, the party delivering shall have the right to require the purchase money to be paid upon delivery; if delivery is made by transfer, payment may be required at time and place of transfer.

Certified checks
In the settlement of transactions involving one thousand dollars or more, the seller is entitled to a certified check.

Amended.

April 7, 1978.

SEC. 3.  
Size of Delivery --Stocks

In all sales or contracts for delivery of securities between members of the Exchange the parties shall settle the contracts in accordance with the terms and conditions prescribed by the registered clearing agency through which clearing and settlement is to take place.

Amended.

September 14, 1978.

SEC. 4.  
Stocks Subject to Assessment

In all cases where personal liability attaches to ownership the seller shall have the right to deliver stock by transfer.

SEC. 5.  
Fee for Collecting Dividends

Where parties have neglected to transfer stock before the books are closed for a dividend, they may, on presentation of the certificate, demand of the party in whose name it stands a due-bill for such dividend, for which a charge may be exacted of one per cent on the amount to be collected.

SEC. 6.  
Due-bills

Where stock has been loaned, and during the loan a dividend has been declared, the party borrowing the stock shall give a due-bill for the dividend on the day the books close, the same to be payable on the day the dividend, as declared, is paid by the company.

Returning of odd lots

Where odd lots of stocks have been loaned or borrowed they cannot be demanded or returned while the books are closed, unless mutually agreed upon, and the carrying rate shall remain the same as that originally agreed upon.

SEC. 7.  
Bonds in Default

In sales of bonds or similar securities bearing interest, while payment of either principal or interest, in cash, is refused by the company issuing said bonds or securities, interest shall not be computed in the settlement.
SEC. 8. All bonds upon which the interest is in default, or upon which the coupons have been funded, either by an issue of scrip, preferred stock, or otherwise, shall have all unpaid coupons attached, to constitute a good delivery, unless so stated at time of sale.

SEC. 9. Notice on Return of Borrowed Stocks

Borrowers of stocks shall be entitled to one business day's notice, said notice being given before three o'clock of the business day previous to delivery, and lenders shall be entitled to the same notice for the return of stocks; and any failure to respond to such notice shall be considered a violation of contract.

SEC. 10. Delivery Closing Time

In all sales or contracts for delivery of securities between members of the Exchange, the party who is to receive the same shall not be bound to take them after the delivery closing time prescribed by the Boston Stock Exchange Clearing Corporation, but may postpone the payment, without being charged interest, to the following delivery day.

SEC. 11. Settlement for Odd Lots When Books Closed

Sales made when the transfer books are closed, in any but lots of one hundred shares (which shall be delivered by certificate), shall be settled at the opening, unless otherwise agreed upon, except when the opening occurs on Saturday or a holiday, when they shall be settled the following delivery day, and shall carry interest at the rate of six per cent per annum, unless otherwise agreed upon or fixed by the Exchange. Any sales of odd lots, as above, made on the third full business day preceding the opening of the books, shall be considered as regular sales and shall not carry interest.

SEC. 12. Reclamations

Reclamations for irregularities in deliveries of securities, when such irregularities do not affect their validity, but only currency in market, will not be considered valid unless made within ten days from day of delivery.

When a proper reclamation is made for irregularity in delivery of stock, the claimant may require from the seller the immediate delivery of a good certificate for the irregular one.

The same rule applies to bonds and also to loaned securities.

Chapter VI – Failure to Fulfill Contracts

SEC. 1. Closing Contracts

When the inability to meet contracts by a member, allied-member or member-organization is
announced to the Exchange, members having contracts subject to the Rules of the Exchange with the member, allied-member or member-organization shall without unnecessary delay proceed to close the same. If the contracts involve securities admitted to quotation upon the Exchange the closing must be in the Exchange, either officially by the Exchange, or by personal purchase or sale. If the contracts involve securities not dealt in on the Exchange, the purchase or sale of such securities must be promptly made in the best available market. Should a contract not be closed, as above provided, the price of settlement shall be fixed by the price current at the time when such contract should have been closed under this Rule. Nothing in this Section shall inure any liability on the Exchange on the part of its member, allied-member, or member-organization, and no action taken by the Exchange in closing, assisting to close, or otherwise acting on behalf of its member, allied-member, or member-organization, shall have the effect of transferring to the Exchange any liability related to contracts not directly entered into by the Exchange.

Amended.


SEC. 2.

Notice of Closing Contracts

Should any contract not be fulfilled on the day it becomes due, the party or parties to whom it is due may, after giving written notice to the party in default, not later than half-past two o'clock p.m., employ the Exchange, through a representative designated by it, to close the same in the Exchange, by purchase or sale, as the case may require. The said written notice shall be either delivered at the office of the party to be notified, or served upon him in person. The Exchange will incur no liability as a result of its actions on behalf of the party in default, and shall employ its best efforts to close the contract. Despite any such action by the Exchange, the original parties to the contract shall remain solely responsible for the terms thereof, and the Exchange shall have no responsibility or liability for any losses which may be incurred by either party.

Exceptions to the above rule as to notice are as follows:

In case of delayed delivery

(1) Where the contract represents a delayed delivery the form of notice shall comply with that set forth in Section 9, Chapter V of the Rules.

Securities in transit

(2) Where demand is made to close a contract and the Exchange has evidence satisfactory to it that the securities are in transit, then it may extend the closing of the contract to such time as it may determine to be equitable to both parties.

Amended.


SEC. 3.

Procedure --Notice of Intention to Buy or Sell

Every notice of intention to buy in or sell under the rule must state the name of the original party who shall give the order to the Exchange, and also the name of the first party for whose account it is to be bought in or sold, so that successive parties in interest can identify the purchase or sale
when made by the representative of the Exchange. When this is done one purchase or sale by
such representative will be for account of each successive party on the line who has been duly
notified. It is not necessary for such representative to state all the successive names in order to
make the one purchase or sale binding on all.

SEC. 4.

How Default May Be Cured

If such stock in default is tendered before an order has been placed to buy in such stock, each
party to whom it is due must accept and pay for it.

SEC. 5.

Notices as to Closed Contract

After a purchase or sale has been made under the Rule, the party who gave the order must
promptly send a notification of the purchase to the party whose contract has been closed.
Notifications to successive parties in interest must be transmitted without delay.

SEC. 6. In all cases where a representative of the Exchange may be directed to buy or sell
securities under this Rule, the name of the member defaulting, as well as that of the member
giving the order, shall be announced.

SEC. 7.

Orders Must Be in Writing

No order for the purchase or sale of securities under this Rule shall be executed unless made out
in writing over the signature of the party giving the order, who shall state the reason therefore;
and it shall be the duty of the representative of the Exchange who executes the order to endorse
thereon the name of the purchaser or seller, the price and the hour at which the contract is
closed, and deliver the same to the office of the Secretary of the Exchange, who shall, within
twenty-four hours, ascertain whether the party for whose account the order was given has paid
the difference, if any, arising from the transaction. If not paid, the Secretary shall report the
default to the President. The duty devolved upon the Exchange or its representative under this
Rule shall be performed without charge. Purchases and sales under this Rule are "cash".

SEC. 8. No party shall be permitted to supply offers to buy or sell securities closed for his account
"under the Rule".

SEC. 9.

Penalties for Defaults

When a contract is closed under this Rule, any action of the defaulter, direct or indirect, by which
the prompt fulfillment of such contract is delayed, hindered, or evaded, to the detriment of the
other contracting party, shall subject the offending party to suspension for not less than thirty
days, or expulsion, in the discretion of the Board of Governors, by a vote of at least a majority of
its members in the case of suspension and a vote of at least two-thirds of its members in the case
of expulsion.

SEC. 10. When contracts are closed out under this Rule any member supplying the bid or offer,
and not duly receiving or delivering the stock, as the case may be, renders himself liable to the
penalties prescribed in Section 9 above.
SEC. 11.  

Failure to Deliver the Stock

Should any stock thus sold out be not delivered until the next day, the contract shall continue; but the party defaulting shall be liable to pay such damages as may be assessed by the Board of Governors.

SEC. 12.  The same Rules that govern defaults in other contracts shall apply to all defaults in borrowed and loaned securities.

SEC. 13.  

Payment of Loan of Money

When money is loaned "on call" by one member of the Exchange to another, the lender shall have the right to demand the payment of the loan any day before twelve o'clock a.m., and if the same be not paid at or before half-past one o'clock p.m., on that day, then the borrower shall be considered in default, and the lender shall have the right to sell any securities securing the loan, or so much thereof as may be necessary to pay the loan, "under the Rule", in the manner prescribed in the foregoing sections of this Chapter.

The same Rule shall apply to the payment of time loans when due.

Chapter VII – Carrying of Accounts – Customers’ Securities – Give-Up Orders

SEC. 1.  

Adequate Margin Required

(1) The acceptance and carrying of an account for a customer, either a member or a non-member, without proper and adequate margin, may constitute an act detrimental to the interest and welfare of the Exchange. The Board of Governors shall have the authority to fix the amounts which may be the minimum amounts required as against debit balance.

Daily record of initial or additional margin required

(2) Each member, allied-member or member-organization carrying margin accounts for customers shall make each day a record of every case in which, pursuant to the Rules of the Exchange or regulations of the Board of Governors of the Federal Reserve System, initial or additional margin must be obtained in a customer's account because of the transactions effected in such account on such day. Such record shall be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission, and shall show, for each such account, the amount of margin so required and the time when, and manner in which, such margin is furnished or obtained. Such record shall be in a form approved by the Exchange and shall contain such additional information as the Exchange may from time to time prescribe. The provisions of this paragraph with respect to the form in which such record shall be kept shall not apply to members, allied-members or member-organizations of the Exchange who are members, allied-members or member-organizations of another exchange, which exchange has comparable rules or regulations to which such members, allied-members or member-organizations are subject and comply, unless the Exchange so directs.

Furnishing margin by liquidation
(3) No such member, allied-member or member-organization shall permit a customer to make a practice of effecting transactions requiring such initial or additional margin and then furnishing such margin by the liquidation of the same or other commitments; except that the provisions of this paragraph (3) shall not apply to any account maintained for another broker or dealer in which are carried only the commitments of the customers of such other broker or dealer exclusive of the partners or stockholders of his member-organization, provided such other broker or dealer

(1) is a member or allied-member of the Exchange or a member-organization; or

(2) has agreed in good faith with the member, allied-member or member-organization carrying the account that he will maintain a record equivalent to that referred to in paragraph (2) of this Section; or

(3) is not subject to the regulations of the Board of Governors of the Federal Reserve System.

SEC. 2.

Improper Margin Transactions Prohibited

No member, allied-member or member-organization shall, without the prior written consent of the employer, make:

(1) a cash or margin transaction or carry a margin account in securities or commodities in which an employee of the Exchange or its affiliated companies, or an employee of another member or member-organization is directly or indirectly interested. Except in connection with transactions of an employee in Monthly Investment Plan type accounts, duplicate reports and statements shall be sent promptly to the employer.

(2) a margin transaction or carry margin accounts in securities or commodities in which an employee of a bank, trust company, insurance company or of any corporation, association or firm or individual engaged in the business of dealing either as broker or as principal, in stocks, bonds or other securities in any form, bills of exchange, acceptances, or other form of commercial paper, is directly or indirectly interested.

Investigation of accounts

Every member and allied-member is required to use due diligence to learn the essential facts relative to every customer, including the possible use of a name other than that of the interested party, and to every order or account accepted by him, except when acting as agent for another member.

Every member executing orders shall, if the character of the orders or transactions, or the sequence or volume thereof is such as reasonably to indicate that the orders or transactions may be in violation of the Rules of the Exchange, immediately bring the facts in respect to such orders or transactions to the attention of the Exchange.

SEC. 3.

Improper Use of Customer's Securities

The improper use of a customer's securities by a member, allied-member or member-organization is an act not in accordance with just and equitable principles of trade, and the offending member, allied-member or member-organization shall be subject to the penalties provided in Section 5 of Article XVI of the Constitution.

Safe-keeping of securities
Securities of customers which are fully paid must be segregated and definitely marked as being held in safe-keeping. An agreement between a member, allied-member or member-organization and a customer, authorizing the member, allied-member or member-organization to pledge securities, either alone or with other securities carried, for the account of the customer, either for the amount due thereon or for a greater amount or to lend such securities, does not justify the member, allied-member or member-organization in pledging or loaning more of such securities than is fair and reasonable in view of the indebtedness of said customer to said member, allied-member or member-organization.

**Loaning of securities**

Securities of customers held by members, allied-members or member-organizations against indebtedness of customers shall not be loaned without the written consent of such customers.

**Use of customer's securities by members**

No form of general agreement between a member, allied-member or member-organization and a customer shall warrant the member, allied-member or member-organization in using securities carried for the customer in sales made by the member, allied-member or member-organization for his or its own account, or for any account in which the member-organization in which said member or allied-member is a partner or stockholder or any general or special partner or stockholder thereof is directly or indirectly interested.

Amended.

May 1, 1975.

**SEC. 4.**

"Give-ups"

Member and member-organizations may pay "give-ups" on the following terms:

(a) Member and member-organizations may pay "give-ups" on commissions earned on transactions executed on this Exchange to other members and member-organizations.

(b) No member, member firm, or member-organization shall, in consideration of the receipt of brokerage commissions pay or give-up any money or work or give-up all or any part of any commission, at the direct or indirect request of a non-member, or by direct or indirect arrangement with a non-member; provided, however, that this Rule shall not be deemed to prohibit any of the following:

(i) Customer directed give-ups on an occasional basis for the accommodation and convenience of a customer whose account is carried by the firm to which the give-up is directed.

(ii) Give-ups, in accordance with paragraph (a) of this Section, by a member organization who is a member of another national securities exchange in connection with orders executed on the Exchange to other member organizations in consideration of the receipt of orders executed on this or any other national securities exchange of which it is a member.

(c) The member or member-organization executing the order on which the give-up is to be paid may pay from its share of the commission after deduction of the give-up the floor brokerage, if any, with respect to such order.

Amended.
May 1, 1975.

December 7, 1977.

SEC. 5.

Securities to Be Available to Customer

Any member or member-organization who or which holds securities of a customer subject to the instructions of the customer, whether the securities are registered in the name of the customer or in street name or are in bearer form, shall make suitable arrangements to have the securities reasonably available to the customer or subject to his order at all times. If the office of the member or member-organization is closed for any reason during normal business hours, the member or member-organization shall take such steps as he or it deems necessary to comply with this rule and shall notify the Exchange of the steps taken.

Chapter VIII – Minimum Amount of Margin on Transactions Made During the Course of a Single Day in Accounts of Members, Allied-Members and Member-Organizations

SEC. 1.

Members' and Allied-Members' Accounts

Individual accounts

(a) GENERAL RULE: No member or allied-member shall effect or cause to be effected any transaction in, or withdrawal from, any account carried with a broker or dealer in which account he has a direct or indirect interest (other than a member-organization account) if he has or should have knowledge that as a result of such transaction or withdrawal the equity in such account will be less than the sum of

(i) An amount equal to the difference between 100% of the market value of all securities long in the account, and the per cent of the market value which the Board of Governors of the Federal Reserve System shall prescribe from time to time as the maximum loan value of securities long in the account, and

(ii) Such amount as the Board of Governors of the Federal Reserve System shall prescribe from time to time as the margin required for short sales, except that such amount so prescribed need not be included when there are held in the account securities exchangeable or convertible into such securities sold short,

provided that if at the opening of business on any day the sum of (i) and (ii) above exceeds said equity, no purchase or sale of securities on said day shall be deemed a violation of this Section if said excess is not at any time on said day increased thereby; and

provided further that no bona fide substitution of commitments consisting of the purchase of securities and the sale of other securities of substantially equivalent value on the same day for investment purposes shall be considered a violation of this Section.

Withdrawals during a single day

(b) MAINTENANCE OF REQUIRED EQUITY: No such member or allied-member shall on any day withdraw, or cause to be withdrawn, cash or securities from such an account, if such withdrawal
would reduce the equity below the maximum amount required at any time during said day in such account by paragraph (a) hereof, even though such cash or securities would not be required in respect of the closing position in such account.

Exceptions

(c) EXEMPTED ACCOUNTS: Nothing in this Section shall apply to any account in which there are carried positions resulting only from transactions of any or all of the following types:

(i) Transactions of a member acting as a specialist and/or Odd-Lot Dealer in securities in which he is registered;

(ii) Transactions in securities not classified for trading as stocks by the Exchange;

(iii) Transactions entered into for bona fide arbitrage;

(iv) Transactions entered into in connection with a primary or secondary distribution;

(v) Transactions entered into in error;

(vi) Transactions not effected on the Exchange;

(vii) Transactions effected pursuant to a bona fide agreement that cash payment in full will be promptly made for securities purchased, and that securities sold will be promptly deposited in or transferred to such account;

provided that in such exempted account or accounts, when considered without reference to any account subject to the provisions of paragraph (a) hereof, the minimum margin required by the Rules of the Exchange in a customer's account is maintained.

Calculation of equity in account

(d) DETERMINATION OF SECURITY POSITIONS AND EQUITIES: In computing the equity in any account subject to the provisions of paragraph (a) hereof, or in determining any security position (including a position in a "when issued" security) in such an account, securities purchased but not received shall be treated as though such securities had been received and the cost thereof had been debited to the account; and securities sold but not delivered shall be treated as though such securities had been delivered and the proceeds had been credited to the account. The equity in such an account throughout any day shall be deemed to be the equity in the account at the opening of business on that day, plus any cash and the value of any securities transferred to or deposited in the account prior to 5 p.m. on said day or in transit on said day for deposit in the account, minus any cash and the value of any securities withdrawn from the account on said day. Securities purchased or sold on any day shall during that day be valued at the prices at which so purchased or so sold. Securities transferred to, deposited in, in transit for deposit in or delivered from the account on any day otherwise than as the result of a purchase or sale, and security positions carried over from the preceding day, shall during said day be valued at the closing prices of the preceding day. "Puts", "Calls", "Straddles" and other options or privileges shall be disregarded. Active securities dealt in on a recognized exchange shall, for margin purposes, be valued at current market prices. Other securities shall be valued conservatively in the light of current market prices and the amount which might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried are subject to unusually rapid or violent changes in value, or do not have an active market on a recognized exchange, or where the amount carried is such that it cannot be liquidated promptly.

Effect of guarantees
(e) GUARANTEES: The equity in an account subject to the provisions of paragraph (a) hereof shall not be deemed to be increased if the account is guaranteed by any other account, nor to be decreased if the account guarantees another account which is subject to the provisions of paragraph (a) hereof; but if such an account guarantees another account which is not subject to the provisions of paragraph (a) hereof, the equity in the guaranteeing account shall be reduced by the sum required at the close of business on the preceding day to offset any deficiency then existing in the guaranteed account by reason of the Rules of the Exchange, the requirements of the member or member-organization carrying the account, or otherwise.

Keeping and preservation of records

(f) RECORD OF SEQUENCE OF TRANSACTIONS: Each member or allied-member who has an interest in any account subject to the provisions of paragraph (a) hereof shall promptly prepare or cause to be prepared and shall cause to be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission, a record of all transactions in such account showing as nearly as practicable the sequence in which they occurred.

SEC. 2.

Member-organization Accounts

MEMBER-ORGANIZATION ACCOUNTS

(a) GENERAL RULE: No member-organization shall effect or cause to be effected on the Exchange for any account in which such member-organization has a direct or indirect interest, any transaction in securities classified for trading as stocks by the Exchange, or shall permit the withdrawal by a partner or stockholder of cash or securities, if such member-organization has or should have knowledge that as a result of such transaction or withdrawal the total position of such member-organization plus the aggregate position in all accounts carried by it for its general partners or holders of voting stock subject to the provisions of paragraph (a) of Section 1 of this Rule, in securities so classified, arising out of transactions effected on the Exchange, would exceed the position which such member-organization could finance, in accordance with the regulations of the Board of Governors of the Federal Reserve System and the most recently effective amendments and supplements thereto, by the use of the working capital (including partners' equities) of such member-organization employed in its business and available for such financing; except that no bona fide substitution of commitments consisting of the purchase of securities and the sale of other securities of substantially equivalent value on the same day for investment purposes shall be considered a violation of this Section.

Exceptions

(b) EXEMPTED ACCOUNTS: The provisions of paragraph (a) shall not apply to any account in which there are carried positions resulting only from transactions of any or all of the following types:

(i) Transactions effected by a member of the Exchange acting as a specialist and/or Odd-Lot Dealer, in securities in which such member is registered for any account in which a member-organization is jointly interested with such member;

(ii) Transactions entered into for bona fide arbitrage;

(iii) Transactions entered into in connection with a primary or secondary distribution;

(iv) Transactions entered into in error;

(v) Transactions effected for member-organization account to enable it to fill an order of a
customer who has agreed that cash payment in full will be promptly made for securities purchased or that securities sold will be promptly delivered.

**Calculation of member-organization working capital**

(c) DETERMINATION OF WORKING CAPITAL: In determining working capital employed in the business, the value of exchange memberships, furniture, and other fixed or illiquid assets shall be excluded, and the working capital throughout any day shall be deemed to be the working capital as of the close of business on the preceding day, computed as accurately as possible at market values then current, plus any cash and the value of any securities contributed thereto during said day, and minus any cash and the value of any securities withdrawn therefrom during said day. If upon application of any member-organization it shall appear to the Exchange that daily computation of working capital would be impracticable or would entail undue hardship, the Exchange may permit such member-organization to consider as working capital on any given day during a specified period, the working capital computed as of the close of business on the day preceding the commencement of such period, plus contributions of cash and securities and minus withdrawals of cash and securities made during such period and on or prior to the given day; however, a member-organization which has obtained such permission from another exchange having similar requirements to which such member-organization is subject shall be deemed to have obtained such permission from this Exchange unless the Exchange otherwise directs.

(d) WORKING CAPITAL AVAILABLE FOR FINANCING OF STOCK TRANSACTIONS: In determining the working capital available on any day to finance any security position subject to the provisions of paragraph (a) hereof, there shall be deducted any amount necessary to finance commitments carried at the close of business on the preceding day in accounts not subject to the provisions of paragraph (a) hereof, in addition to any amount otherwise unavailable for such financing.

(e) DETERMINATION OF MEMBER-ORGANIZATION POSITIONS: In determining any security position (including a position in a "when issued" security) in any account subject to the provisions of paragraph (a) hereof, securities purchased but not received shall be treated as though such securities had been received and the cost thereof had been debited to the account; and securities sold but not delivered shall be treated as though such securities had been delivered and the proceeds thereof had been credited to the account.

Securities received or delivered on any day otherwise than as a result of a purchase or sale, and securities contributed or withdrawn on any day, and security positions carried over from the preceding day, shall during said day be valued at the closing prices of the preceding day. Securities purchased and sold during any day shall during said day be valued at the prices at which so purchased or so sold. Rights and warrants expiring within ninety days of issuance shall be given no value. "Puts", "Calls", "Straddles" and other options or privileges shall be disregarded.

**Keeping and preservation of records**

(f) RECORD OF SEQUENCE OF TRANSACTIONS: Each Member-organization which shall effect or cause to be effected on the Exchange transactions in securities classified for trading as stocks by the Exchange for any account subject to the provisions of paragraph (a) hereof, shall promptly prepare and shall cause to be preserved for at least twelve months or for such longer time as may be required by the rules of the Securities and Exchange Commission a record of all transactions in such account, showing as nearly as practicable the sequence in which they occurred.

● ● ● Supplementary Material: ...
The Board of Governors has approved the following amended margin procedures applicable to Specialist's primary, alternate and trading accounts.

1. Margin requirements will be computed separately on primary, approved trading and approved alternate accounts where the Exchange provides financing for the member specialist. All securities shall be taken at market value. The following margin rates shall apply with respect to securities both long and short in:

(i) U.S. Government backed Treasury notes or bills 0%
(ii) Municipal and Corporate bonds 10%
(iii) Public authorities and revenue bonds 20%
(iv) Specialist or alternate assigned equities 25%
(v) Trading accounts 50%
(vi) Marginable equities (excluding Specialist or Alternate assigned equities)
(vii) Non-marginable equities 100%

2. For each position in either the primary, trading, alternate or collateral account that exceeds the Specialist Unit’s total equity by more than 30%, an additional margin requirement of 15% of the excess will be applied.

3. In the event that the margin in a Specialist’s account is below 15% there shall be an immediate margin call which must be satisfied by bringing the account up to 25% margin within one and one half trading hours of such information being brought to the attention of the Specialist or his approved substitute on the Floor of the Exchange. Such margin call can be satisfied by deposit of cash, marketable securities or liquidation.

4. Margin call remedial actions:

(i) In the event that an account has more than two calls within a one month calendar period:

(a) On the third call during this period the member must meet with Market Surveillance and Compliance Department personnel to discuss the problem, review the rules and contemplate remedial actions.

(b) On the fourth call during this period the account will receive a written warning from the Market Surveillance and Compliance Department.

(c) On the fifth call during this period a fine of $250 will be levied.

(d) On any subsequent call, a fine of $500 will be levied.

For the purposes of this rule, any consecutive call that carries over to the next business day will be considered as an individual call.

(ii) In the event that an account has more than five calls during any calendar quarterly period:

(a) On the sixth call, during this period the account will receive a written warning, and must meet with the Market Surveillance and Compliance Department personnel to discuss the problem, review the rules and contemplate remedial actions.
(b) On any subsequent call, a fine of $500 will be levied.

NOTE: Verbal and written warnings will be issued only once during any calendar quarterly period.

(iii) Any of the above sanctions and/or remedial actions imposed by the Market Surveillance and Compliance Department representative may be appealed to the Market Performance Committee upon written notice stating the reasons and/or mitigating circumstances for such appeal.

(iv) At any time, the Market Performance Committee may impose additional sanctions for continued calls including, but not limited to, suspending or closing the trading and/or the alternate account privileges.

(v) EXCEPTIONS: These measures are intended to maintain the financial integrity of the Exchange's marketplace as well as address certain areas of risk on the Exchange where margin calls may be excessive in both frequency and amount. If a Specialist, in the judgment of the Market Surveillance and Compliance Department and concurrence of a Floor Governor, incurs a margin call in the course of fulfilling his obligations as a specialist, the margin call will be exempt from the provisions of paragraphs 3(i), 3(ii) and 3(iii) contained herein. However, the specialist must take prompt action thereafter to satisfy the margin call.

5. Notwithstanding the above, the Market Surveillance and Compliance Department may require any Specialist Unit to bring its book within margin compliance immediately where conditions may warrant such action, after discussion with at least two Members of the Board of Governors and/or the Market Performance Committee.

6. The Market Surveillance and Compliance Department shall act promptly under the authority granted in paragraph (4) of the current margin procedures in the event that they perceive Specialists abusing the spirit of the margin procedures in involving themselves in a pattern of undermargined situations.

Amended.

April 13, 1978.


Chapter IX – Unissued Securities – Margin Requirements

SEC. 1.

Margin Requirements on Unissued Securities

The margin requirements upon "unissued" securities, including rights and warrants, which may be registered upon the Exchange for "when issued" dealings, shall be the same as provided for by the Rules of the Exchange for issued securities but in no instance less than the amounts required by the rules and regulations promulgated in accordance with the provisions of the Securities Exchange Act of 1934.

SEC. 2.

Nature of Contract
The performance of the terms and conditions of a "when issued" contract for unissued securities, including rights and warrants, shall be based upon the issuance of such securities substantially as they were dealt in on the Exchange on the "when issued" basis.

Chapter X – Ex-dates – Buyer’s Rights – Due Bills

SEC. 1. "Cash" and "Ex-dividend" Transactions

Unless the Exchange rules otherwise stocks will sell "ex" any dividend, right or privilege which may pertain to them on the second full business day preceding the record date, except that when the record is taken on a holiday or half-holiday they will sell "ex" on the third preceding full business day.

"Cash" transactions made on the "ex" date and to and including the record date will carry the dividend or rights or other privileges.

Amended.

April 7, 1995.

SEC. 2. Buyers’ Rights

Unless otherwise agreed and except as elsewhere herein provided, the buyer shall be entitled to receive all dividends, rights and privileges, except voting power, accruing during the pendency of the contract on the securities purchased.

Deliveries after ex-date

When a security is sold before it is ex-dividend or ex-rights or other distribution, and delivery is made after the record date, the seller shall pay or deliver to the buyer the distribution made with respect to such security in the following manner, unless otherwise directed by the Exchange:

Due-bill

(a) In the case of stock dividends, rights to subscribe or other distribution, the seller shall deliver to the buyer, within three (3) days after the record date, either the dividend or rights or other distribution, or a due-bill for such dividend, rights, or other distribution.

Due-bill-check

(b) In the case of cash dividends, the seller shall deliver to the buyer, within three (3) days after the record date, a due-bill-check for the amount of the dividend; a "due-bill-check" being a due-bill in the form of a check payable on the date of payment of the cash dividend, which prior to that date shall be considered as a due-bill.

Return of loan of securities after record date

The same principle shall apply to the return of loans of securities after the record date.

SEC. 3. Collection Charge
A charge of one per cent may be made for collecting dividends. For scrip or stock dividends the charge shall be computed upon the market value of such scrip or stock.

No charge shall be made for collecting dividends accruing on securities deliverable on a contract.

SEC. 4. Interest or Premiums on Borrowed Stocks

When securities are borrowed or loaned, the sum agreed upon, either as interest for carrying or as premium for use, shall be paid whether such securities are delivered or not.

SEC. 5. When money or securities are loaned at a premium or for interest, said premium or interest shall apply only to the period for which the loan is made.

SEC. 6. Assessments

When any assessment shall become due on stocks sold on time, the seller shall be bound to pay such assessment; and the purchaser shall pay the amount, with interest, when the contract becomes due.

Chapter XI – Alternate Specialists

SEC. 1. Registration

A Regular Specialist may be registered as an Alternate Specialist upon application to and with the approval of the Market Performance Committee.

Registration shall apply only to individual members and not to member organizations, although a member organization may designate a member as its agent and such member's transactions as an Alternate may be for the account of the member organization. In the event a member organization wishes to transfer an Alternate account registration from one agent member to another, the approval of the Market Performance Committee is required.

If a Regular Specialist who is approved as an Alternate Specialist merges or forms a joint account with another member organization, he shall retain his individual registration as an Alternate provided the minimum capital and equity requirements are met.

In determining approval or disapproval of an applicant for registration as an Alternate Specialist, the Market Performance Committee will consider the applicant's capital, trading experience, compliance with rules and policies, Specialist Performance Evaluation scores and other pertinent information bearing on the suitability of the applicant.

In order to be registered as an Alternate, a Regular Specialist shall establish that he can meet, at all times, equity of $25,000 over and above the minimum equity required for his Regular Specialist account.

The stocks for which a specialist is registered as an Alternate may not exceed twice the number of stocks for which he is a Regular Specialist. A request for assignment as an Alternate Specialist
in a stock for which an Alternate Specialist already exists must be accompanied by a request for an assignment in a stock for which no Alternate exists.

Any Alternate Specialist may withdraw registration as an Alternate Specialist in a given stock no sooner than six months after registration in the stock. If withdrawal thereafter is in a stock for which there is no other Alternate, the specialist must either relinquish an Alternate stock for which there exists one or more other Alternates or register as an Alternate in another stock that does not have any Alternates.

An approved Alternate Specialist who seeks to either expand the list of stocks in which he is registered as an Alternate, or seeks to substitute stocks, must obtain approval of the Market Performance Committee as to the specific issues involved. However, an Alternate Specialist, at any time, may add to his list any stock in which no Alternate exists provided the necessary capital and equity requirements are met.

SEC. 2. Transactions

(a) Transactions by an Alternate Specialist may be margined at twenty-five percent (25%).

(b) An Alternate Specialist is obligated to execute 500 shares in a registered stock at the request of a Floor broker holding an unexecuted public customer’s order provided that the Floor broker has obtained an execution from the Regular Specialist on that portion of the order subject to the Execution Guarantee Rule as contained in Chapter II, Section 33. Any portion of an order open for execution shall be exposed to all Alternates in that stock by the entering broker.

(c) The priority for participation on an incoming order will be determined based on:

i) Any member liquidating a position will have priority. Where two or more are liquidating a position, size shall have precedence.

ii) In establishing positions, size shall have precedence. Where two or more are bidding for or offering the same amount of shares or for an amount greater than the remaining portion of the order, the order shall be shared equally.

iii) If no Alternate wishes to establish priority then all shall be required to participate equally for amounts up to 500 shares. This applies regardless of whether the execution of the order would result in establishing, increasing or liquidating a position.

Supplementary Material: ...

Alternate Specialists are required, generally, to engage in a course of dealings which is consistent with the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange.

Purchases and sales by Alternate Specialists must constitute a course of dealings reasonably calculated to contribute toward the maintenance of price continuity with reasonable depth and to minimizing of the effects of temporary disparities between supply and demand, immediate or reasonably to be anticipated.

Transactions by Alternate Specialists on the Exchange must either improve the price of a stock or the depth of the existing market.
No Alternate Specialist is permitted to effect a transaction through the facilities of ITS without first clearing the book of the Regular Specialist.

SEC. 3.  

Negligence

Gross negligence in the handling of an order by a Regular Specialist or Alternate Specialists or improper execution of an order shall be regarded as an act detrimental to the interest and welfare of the Exchange, and may be subject to penalties in accordance with Article XVI, Section 6 of the Constitution.

Amended.


Chapter XII – Odd-lot Dealers in Securities the Primary Market for Which is on Another Exchange

SEC. 1 The provisions of this chapter shall apply only to dealings in odd-lots of securities the primary market for which is another exchange.

Dealer-Specialists must fill orders for odd-lots of securities on the following basis:

(a) Standard odd-lot market orders received prior to the opening shall be executed at the primary opening price. An odd-lot differential may not be charged on these orders.

(b) Standard odd-lot market orders received after the opening will receive an execution price based on the best consolidated quotation in the stock at the time such orders are received, i.e. buy orders will be executed on the best consolidated offer and sell orders will be executed on the best consolidated bid. No odd-lot differential shall be charged on these orders.

(c) In instances where quotation information is not available (e.g., when the quotation is in a "non-firm" mode) standard odd-lot market orders will be executed on the last consolidated round-lot sale. An odd-lot differential may be charged on these orders.

(d) Standard odd-lot market orders received after a trading halt and prior to the resumption of trading will be executed at the price at which trading resumes. An odd-lot differential may not be charged on these orders.

Limited-price orders

(e) Odd-lot limit orders shall be executed in accordance with the procedures applicable to round-lot limit orders and no odd-lot differential shall be charged on these orders.

Ceasing to fill orders

(f) No Dealer-Specialist shall discontinue filling orders in any stock in respect to which he is registered except upon at least 72 hours’ notice to the Exchange provided, however, that in an unusual and extreme situation, and for cause shown, the Chairman of the Board of Governors of the Exchange, or, in his absence, a majority of the Governors who are present on the Floor at the time a decision is required, may waive such notice period.

Amended.
March 20, 1975.
May 1, 1975.
December 7, 1977.
June 30, 1980.
April 12, 1985.
Renumbered.

March 19, 1982.

**Procedures for the Pricing of Standard Odd-lot Market Orders in AT&T and Equity Issues Created as a Result of Divestiture**

Rescinded April 12, 1985.

**Chapter XII-B – Rules for Trading by Odd-lot Dealers in Round Lots of Securities the Primary market for Which Is on Another Exchange**

Rescinded March 19, 1982.

**Chapter XII-C – Dealings in Securities, the Primary Market for Which Is on Another Exchange When Such Exchange Shall Be Closed**

Rescinded March 19, 1982.

**Chapter XIII – Odd-lot Dealers in Fully Listed Securities Having Primary Market on this Exchange**

Odd-lot Dealers in Fully Listed Securities Having a Primary Market on this Exchange

The provisions of this Chapter shall apply only to dealings in odd-lots of securities which are fully listed on and which have a primary market on this Exchange.

**Registration**

(a) A member or member-organization may be registered as an Odd-Lot Dealer in a security or securities which are fully listed on and which have a primary market on this Exchange.

(b) Registration shall be by application to and with the approval of the Exchange.

(c) Unless otherwise provided by the Exchange in any particular case, registration shall become effective on the first full business day following approval of the application. Unless otherwise provided by the Board of Governors, registration may not be terminated except upon 72 hours' notice.

**Unit of trading**
(d) The unit of trading in any security in which an Odd-Lot Dealer is registered pursuant to this Chapter shall be fixed by the Exchange. Any number of shares less than the unit so established will be an odd-lot.

**Execution**

(e) On and after the effective date of registration, all orders for odd lots as defined herein shall be executed on the basis of the first effective round-lot transaction a security or securities which are fully listed on and which have a primary market on following receipt by the member executing the order of the odd-lot order and at the price differential prescribed by the Exchange for that security.

(f) If the condition of the market in any security at any time is such that an effective round-lot transaction does not occur, then the price at which the odd-lot order is to be executed may be determined by agreement between the buyer and the seller, subject, in each case, to approval by the Exchange.

**Limitation on orders**

(g) No member shall be required to accept orders from a single customer in a single security which orders in the aggregate total more than the unit of trading, to be executed against a single round-lot transaction.

**Chapter XIV – Independent Floor Brokers**

**Independent Floor Brokers**

**Registration**

(a) A member or member-organization may be registered as an Independent Floor Broker upon application to and with the consent of the Exchange. Such registration provides for the execution of orders on behalf of the following:

1. The Independent Floor Broker's public customers;
2. Other members on the floor (non-Dealer-Specialist activity);
3. Members of the Exchange who do not have their Exchange member on the floor.

(b) An Exchange member registered to act solely as an Independent Floor Broker must:

1. Establish and maintain on deposit with the Exchange at all times no less than $25,000 in cash or securities, or such greater amount, as determined by the Market Performance Committee;
2. Pass the Exchange-administered Floor Member Examination.

**Account Limitation**

(c) No Independent Floor Broker shall initiate transactions while on the floor, for an account in which he has an interest unless such member is registered as a Dealer-Specialist with the Exchange and unless the Exchange has approved of his so acting as a Dealer-Specialist and has not suspended or withdrawn such approval.

**Adopted.**
March 11, 1986.

Floor Clerks

Any individual desiring registration as a floor clerk must (i) submit an application to the Exchange, (ii) be fingerprinted, and (iii) pass the Exchange-administered Floor Member Examination.

Adopted.

March 11, 1986.

Chapter XV – Specialists

SEC. 1. Registration

Application

(a) A member may be registered as a Specialist in any security listed and registered or admitted to unlisted trading privileges on the Exchange upon application to and with the consent of the Exchange. The Exchange shall determine in what securities a Specialist shall be registered and the amount of capital to be required in the conduct of the business. Such registration may be revoked or suspended at any time by the Exchange.

Eligibility

(b) An Exchange member who requests to be registered as a Specialist must (1) be associated with an existing or newly created Specialist unit approved by the Exchange; (2) complete a training period deemed adequate by the Market Performance Committee; (3) pass the Exchange-administered Floor Examination; and (4) ensure that the Specialist unit with which he is to be associated meets the Exchange's financial requirements.

Investigation and Acceptance by the Exchange

(c) Upon receipt of an application to become a Specialist, the Market Performance Committee shall review the background of the applicant and/or its associated persons and shall, within 60 days, notify the applicant of acceptance or rejection.

Minimum Number of Stocks

(d) Each member registered as a Specialist must register and act as Specialist in not less than twenty (20) stocks, of which at least fifteen (15) must be competitively traded through the Intermarket Trading System ("ITS"). A Specialist associated with another Specialist registered in the minimum number of stocks, as set forth above, shall register and act as Specialist in not less than fifteen (15) stocks competitively traded through ITS.

Member Agent

(e) A Specialist may, with the consent of the Exchange, appoint a member to be the agent of the Specialist on the Floor of the Exchange, and may compensate such agent, provided, however that such agent shall be authorized and empowered to do any and all things necessary or appropriate to perform the functions and discharge the obligations of the Specialist under this
Chapter, and provided that the Specialist shall be responsible for all acts or omissions to act by such agent in relation to the securities in which the Specialist is registered.

Function

(f) As a condition of a member being registered as a Specialist, in addition to the execution of commission orders entrusted to him and the performance of his obligations as an odd-lot dealer in such securities, a Specialist is to engage in a course of dealings for his own account to assist in the maintenance, insofar as reasonably practicable, of a fair and orderly market on the Exchange in such securities in accordance with and when viewed in relation to the criteria set forth in subsections (d) and (e) of this section and the commentary thereto. If the Exchange shall have found any substantial or continued failure by a Specialist to engage in such a course of dealings, the registration of such Specialist shall be subject to suspension or revocation by the Exchange in one or more of the securities in which he is registered. Nothing herein shall limit any other power of the Board of Governors under the Constitution or any rule of the Exchange with respect to the registration of a Specialist or in respect of any violation by a Specialist of the provisions of this chapter.

● ● ● Commentary: ...

.01 Whenever a Specialist effects a principal purchase of a specialty stock in another participating market center through ITS or otherwise, at or above the price at which he holds orders to sell that stock, he must fill such orders which remain unexecuted on the Floor by buying the stock for his own account at or above the price at which he effected his principal transaction through ITS or otherwise, unless effecting such a principal transaction on the Floor at that price, would (a) be inconsistent with the maintenance of fair and orderly market or (b) result in the election of stop orders.

.02 Whenever a Specialist effects a principal sale of a specialty stock in another participating market center through ITS or otherwise, at or below the price at which he holds orders to buy that stock, he must fill such orders which remain unexecuted on the Floor by selling the stock for his own account at or below the price at which he effected his principal transaction through ITS or otherwise, subject to the same conditions as set forth in .01(a) and (b) above, and provided further that effecting such a principal transaction on the Floor at that price would not be precluded by the short sale rules or would not result in a sale to a stabilizing bid.

.03 When a Specialist receives a pre-opening response from another market center to a pre-opening notification as defined in the ITS Plan, and that response indicates that the other market center has an interest in participating in the opening transaction as principal, such interest of the other market center shall not have preference over public orders. The manner and extent to which the other market center may participate as principal in the opening transaction shall be as set forth in the provisions of the ITS Plan covering the Pre-opening Application.

Amended.

May 18, 1994.

SEC. 2. Responsibilities
General

(a)(1) An Exchange member who is registered as a Specialist is accountable to the Exchange and the investing public for the quality of the Exchange markets in the securities in which he is registered. He is responsible for fostering and maintaining liquid and continuous, two-sided auction markets on the Floor in those securities. This is accomplished by his acting as agent and principal in such securities in accordance with the provisions of Federal and Exchange rules and policies, to help ensure that such markets are fair, orderly and operationally efficient in the public interest and competitive with non-Exchange markets in those securities.

● ● ● Commentary: ...

.01 A "fair" market is one which is free from manipulative and deceptive practices and which affords no undue advantage to any of the participants therein.

.02 An "orderly" market is one with regularity and reliability of operation, manifested by the presence of price continuity and depth. This is exhibited by the avoidance of large and unreasonable price variations between consecutive sales on the consolidated tape for dually listed issues and on the BSE "tape" for solely listed issues and the avoidance of overall price movements without appropriate accompanying volume.

(2) A Specialist's continuing registration in the securities in which he is registered is dependent upon the satisfactory performance of his responsibilities as a Specialist as defined in Federal and Exchange rules and policies and the Code of Acceptable Business Practices for Specialists. A Specialist's registration, in one or more of the securities in which he is registered, may be suspended or terminated by the Market Performance Committee upon a determination that he has not satisfactorily performed his responsibilities as a Specialist.

Primary Duties as Agent

(b) As agent, the Specialist is required to:

(1) hold the interests of orders entrusted to him above his own interests and fulfill in a professional manner all other duties of an agent, including, but not limited to, ensuring that each such order, regardless of its size or source, receives proper representation and timely, best possible execution in accordance with the terms of the order and the rules and policies of the Exchange.

(2) act as a catalyst in the markets for the securities in which he is registered by professionally and impartially servicing the interests of other members; be helpful, communicative, cooperative and professional; make reasonable efforts to bring together buyers and sellers without interfering as principal unless reasonably necessary to the performance of his duties; and act together with all members involved to ensure that the needs of all parties are considered in an equitable manner.

(3) effectively perform the administrative duties with respect to orders entrusted to him as agent, including, but not limited to, cooperating with other members in the confirmation of open orders and issuing timely and accurate status and execution reports.
(4) ensure that his acceptance and execution of orders as agent are in compliance with applicable Federal and Exchange rules and policies.

**Primary Duties as Principal**

(c) As principal, the Specialist is required to:

(1) buy and sell securities when such transactions are necessary in the public interest to minimize an actual or reasonably anticipated imbalance between supply (offers at or near the last sale price) and demand (bids at or near the last sale price) in the Exchange market, where the absence of his transactions could otherwise result in an unreasonable lack of continuity and/or depth.

(2) make continuous, two-sided markets in the securities in which he is registered and buy and sell those securities in a manner that enhances the depth and liquidity of the Exchange market and the competitiveness of the Exchange market with other markets in those securities.

(3) effect transactions when necessary to fulfill his duties as principal and ensure that quoted markets and transactions are in the public interest by being reasonably calculated to contribute to the maintenance of price continuity with reasonable depth in view of the general market, the market in the particular security and the adequacy of his total position in such security with respect to the actual or reasonably anticipated needs of the market.

(4) act in accordance at all times with applicable Federal and Exchange rules and policies in a manner which does not upset the natural forces of supply and demand, by avoiding transactions which are excessive in view of the market for such security.

(5) ensure that each opening and reopening price (when Boston is operating as the primary market) reflects a professional assessment of market conditions at the time, with due consideration given to the balance of supply and demand as reflected by public orders.

(6) trade in a manner which reflects an awareness of his financial resources, reporting to the Exchange any actual or imminent financial problems.

**Other Duties**

(d) In addition, the Specialist is required to:

(1) ensure the orderly functioning of the trading crowd by exercising leadership and objectively in observing trading crowd activity and order-flow, seek the advice and assistance of a member of the Market Performance Committee or a Floor Governor when required, and request delays in openings or trading halts when called for by unusual market conditions.

(2) abide by applicable Federal and Exchange rules and policies with respect to contact with companies in whose securities he is registered.

*Commentary: ...*

.01 In order to foster a positive professional relationship between the Exchange and listed companies and to educate company representatives regarding the workings of the Exchange's market system, the Specialist is permitted to have periodic contact with representatives of the companies in whose securities he is registered as Specialist.
(3) foster the efficient operation of the Exchange's market process by ensuring the presence of adequate manpower (professional and clerical, full-time or relief) on the Floor at all times and by efficiently processing necessary trade documents and cooperating in the resolution of questioned trades and errors.

(4) keep records required by Federal and Exchange rules, report required information to the Exchange on a timely and accurate basis, and comply with Exchange rules which govern the financing of Specialist operations.

(5) be aware of and abide by all Federal and Exchange rules and policies governing his activities, including, but not limited to, activities in non-speciality securities and trading activities off the Floor, and be aware of and abide by the Code of Acceptable Business Practices for Specialists.

(6) take any other action not prohibited by Federal or Exchange rule or policy, or precluded by professional judgment, to foster and maintain liquid, continuous, two-sided markets on the Exchange and ensure that such markets are fair, orderly and efficient in the public interest and competitive with non-Exchange markets.

Amended.


(a)(1) The Specialist occupies the central position in the Exchange's continuous trading process. Consequently, the manner in which he performs significantly affects the efficiency, competitiveness and overall quality of Exchange markets and largely determines the Exchange's success as a national securities market. In addition, the Specialist occupies a position of public trust and should act at all times in a manner which does not violate that trust. Therefore, it is essential that the Specialist adhere to the highest standards of business and ethical conduct in the performance of all aspects of his job. Failure to do so can be detrimental to the Exchange and can constitute a breach of public trust.

(2) While the Specialist is required to act in accordance with the specific rules and policies which govern his activities, he should avoid actions which are not in keeping with the spirit and intent of those rules and policies or not in accordance with high standards of business and ethical conduct. This duty is formalized by the Exchange Constitution, Article XIV, Section 4.

(3) The specific items set forth below have been adopted to minimize possible misconceptions as to what constitutes good business practices for Specialists and to guide the Specialist in the performance of his duties. This is not to be construed as a complete list of acceptable business practices, and in circumstances not specifically addressed below, the Specialist should be guided by the spirit and intent of the Exchange rules.

i. Trading Practices

While a Specialist is required to act in accordance with specific trading rules and policies, he should avoid practices and patterns of trading activity which are not in keeping with the spirit and intent of those rules and policies or which might interfere with the fair and orderly functioning of the Exchange's markets in the public interest. When in doubt about the suitability of any action related to his Specialist function, he should immediately consult with a floor member of the Market Performance Committee or a Floor Governor.
ii. Openings

Due to the importance of the opening trade in a stock, a Specialist should (A) provide accurate and complete current opening price indications and pre-opening information, such as the amount of stock paired off and the excess to buy or sell, to inquiring members and (B) in issues for which the Exchange acts as the primary market, ensure that the opening is not unduly hasty, particularly when at a price disparity from the previous close, and that the price reflects a thorough and professional assessment of market conditions at the time. These practices should also be followed in the case of re-openings.

iii. Cooperation and Communication

In view of his central position in the Exchange's continuous trading process, a Specialist should (A) reflect the depth of the current market, to the extent his agency responsibility allows, to any reasonable member inquiry; (B) provide market information to members in a professional and courteous manner without discrimination; (C) make every reasonable attempt to bring together known buyers and sellers; (D) given a reasonable time frame and lack of substantive change in market conditions, refrain from interfering with a cross when he has previously indicated "no interest"; (E) refrain from interfering with a "clean" agency cross unless his bid or offer has been previously solicited or unless the reasonably anticipated needs of the market require him to do so in order to be able to fulfill his market maintenance responsibilities, and a floor member of the Market Performance Committee or a Floor Governor has been consulted in the event of any disagreement; and (F) ensure that in his absence, the post is properly staffed by his registered relief Specialist.

iv. Stop Orders

When a Specialist has been entrusted with a stop order, he should ensure, consistent with current market conditions, that its election results from the fair and orderly price movement of the stock and does not result from poor performance or inadequate depth.

v. Operating Practices

In view of his central position in the Exchange market, a Specialist's operating practices can have a significant impact on the competitiveness of the market. Therefore, a Specialist should (A) report executions of orders entrusted to him in a timely and adequate manner; (B) maintain necessary manpower and supervision of staff to ensure the efficiency of his Specialist operations; (C) readily provide records when necessary to research the status of an order or a questioned trade; (D) cooperate with other members in the resolution and adjustment of errors; (E) cooperate in the implementation and operation of new Exchange procedures and systems; and (F) cooperate in the resolution of inquiries and complaints which relate to the stocks in which he is registered.

Amended.


SEC 4. Precedence to Orders in the Book
The Specialist shall at all times give precedence to orders in the book over the orders which originate with him or his firm as a Specialist, provided his or his customer's orders are market or limit orders at the same price or better.

Amended.

SEC. 5.
Preference on Competitive Basis

All bids and offers in any security shall be made on the Floor at the post of the Specialist. A Specialist shall not have any preference at the post because of that fact; preference shall be determined on a strictly competitive basis.

Amended.

SEC. 6.
The Specialist's Book

The Specialist's book is the book, file or record in which all orders entrusted to the Specialist in a particular issue must be kept. The information therein contained shall not be divulged or permitted to come to the knowledge of anyone except the Specialist or relief Specialist for that book, or to the Board of Governors, a committee of the Exchange, or the Chairman or Officer designated by him, except that a Specialist may disclose information contained in his/her book:

(i) for the purpose of demonstrating the methods of trading to visitors to the Floor;

(ii) to other market centers in order to facilitate the operation of ITS or any other Application of the System provided, in either case, that at the same time he makes the information disclosed available to all members; or

(iii) to competing specialists in his/her stocks on a summary basis as provided for in the "Procedures for Competing Specialists."

● ● ● Interpretation: ...

.01 A member acting as a Specialist shall supply information relating to limit orders held by such member as provided for in the ITS Plan.

SEC. 7.
Joint Accounts

No Specialist, member organization of which he is an employee, partner, stockholder or associated person, or an employee, partner, stockholder or associated person of such member organization shall directly or indirectly acquire or hold any interest or participation in any joint
account for buying or selling on the Exchange, or through ITS or any other Application of the System, any stock in which such Specialist is registered, except for an Exchange approved joint account with an employee, partner, stockholder or associated person of such member organization or another member, allied member or member organization.

Amended.


SEC. 8. Records

Every Specialist shall keep a legible record of all orders received by him in the securities in which he is registered as a Specialist and of all executions, modifications, and cancellations of such orders. He shall preserve such record and all memoranda relating thereto for a period of not less than three years, the first two years in a readily accessible place. (See other related record-keeping requirements.)

Amended.

SEC. 9. Opening Listed Stock

Before opening the market in a stock in which the Exchange is the primary market and where unusual conditions exist, the Specialist shall confer with a floor member of the Market Performance Committee or a Floor Governor to receive approval to open the market.

Amended.


SEC. 10. Hours

Every Specialist or his representative authorized to act for him and eligible to make contracts on the Floor of the Exchange shall be on the Floor 45 minutes prior to the opening of each trading session to receive orders, and shall remain there until all transactions have been printed on the Tape.

Amended.


SEC. 11. Restrictions on Transactions by Specialist

No Specialist, his member organization or any corporate subsidiary, or any officer, partner, limited partner or employee of such organization shall directly or indirectly effect any business transaction with a company or any officer, director or 10% stockholder of a company in whose stock the Specialist is registered.
Interpretation and Policies: ... 

.01 Specialists may only redeem and create Index Fund Shares on the same terms and conditions as any other investor and only at the net asset value ("NAV").

.02 Nothing in Section 11 should be deemed to restrict a specialist registered in a security issued by an investment company from purchasing and redeeming the listed security, or securities that can be subdivided or converted into the listed security, from the issuer as appropriate to facilitate the maintenance of a fair and orderly market in the subject security.

Amended.

SEC. 12. Restriction on Transactions by Issuing Company

No Specialist, his member organization or any corporate subsidiary thereof shall accept an order for the purchase or sale of any stock in which he is registered as Specialist directly (1) from the company issuing such stock, or (2) from any officer, director or 10% stockholder of that company.

Amended.

SEC. 13. Suspension of Registration

Whenever it shall appear or be called to the attention of the Exchange that a Specialist is violating any of the Rules of the Exchange or the Federal Securities Laws or is conducting business as a Specialist in an unethical manner, the Exchange shall, without the necessity of previous notice, summarily suspend the registration of such Specialist pending the opportunity for a prompt hearing on the apparent violation. Notwithstanding the opportunity for a prompt hearing, upon imposition of the summary suspension of registration, the Secretary shall notify the Securities and Exchange Commission. At the same time, the affected Specialist may immediately file a request with the Commission for a stay of imposition of the suspension of registration in accordance with such procedures as the Commission may provide.

Amended.

SEC. 14. Claims and Reports against Specialists

All claims and reports against specialists must be made in a timely fashion as indicated below:

(a) All claims which involve erroneous comparisons must be made within 3 business days of the
original trade date.

(b) All claims relative to the omission of a report which was properly due must be made within 3 business days of the date the order should have been executed.

c) All claims relative to the lack of comparison of a reported transaction must be made within 3 business days of the original trade date.

Amended.


April 7, 1995.


SEC. 15.

Specialist May Not Be Officer of the Issuing Corporation

No Specialist shall be an Officer or Director of a Corporation in whose issue he is registered.

Amended.


SEC. 16.

Status of Orders When Primary Market Closed

Whenever the primary market for any security traded on the Exchange pursuant to unlisted trading privileges shall close during the normal business hours of the Exchange, the fact of such closing shall be announced on the Floor. After such closing, notwithstanding any other provision of the Rules, all odd-lot and round-lot transactions in the subject securities shall be executed at such prices as shall be mutually agreed upon between the buyer and the seller, and all orders received on the Floor prior to such closing shall be reconfirmed with the originating broker and executed only on the express direction of such broker, unless the Exchange has elected to suspend trading or close.

Amended.


SEC. 17

Specialist Performance Evaluation Program

(a) All Specialists shall be subject to regular evaluation. The Specialist Performance Evaluation Program shall be administered by the Exchange, subject to the supervision of the Market Performance Committee. The Market Performance Committee will determine, from time to time as it deems necessary, which measures under Rule 11Ac1-5 (“Rule 5”) of the Act shall be used to evaluate Exchange specialists, and the threshold levels of performance against which specialist will be evaluated in each of the relevant Rule 5 measurements. Measurements and threshold levels will be communicated to all members via Floor
Memoranda on a periodic basis, at least thirty days in advance, at least each time a new Rule 5 measurement has been chosen, or a new threshold established. Specialists will be evaluated for competitive stock allocation purposes and any other purposes for which the Market Performance Committee deems it necessary and/or prudent to have objective standards by which it can evaluate all Exchange specialists equally. Any Specialist whose performance is below acceptable levels established by the Market Performance Committee shall be subject to specific improvement actions as determined by the Market Performance Committee as set forth in paragraphs 2156.10 through 2156.80.

(b) In the event that the performance of a Specialist is below acceptable performance levels, notice of such fact shall be given to the Specialist.

(c) Set forth below are the conditions warranting performance improvement action:

(i) Any Specialist who receives a deficient score in one objective measure in any review period shall be deemed to have a deficient performance, and shall be required to attend an informal meeting with the Market Performance Committee to discuss possible methods of improving his/her performance. If any Specialist receives a deficient score in any one objective measure for two out of three consecutive review periods, the Market Performance Committee, which shall take such actions as it deems necessary and appropriate to address the deficient score, including imposing actions as specified in the Supplemental Material.

(ii) Those Specialists that fall below the threshold level for the overall performance evaluation program in any evaluation review period shall be required to appear before the Market Performance Committee, which shall take such actions it deems necessary and appropriate to address the deficient performance. (See Supplemental Material for possible actions.)

(d) The Specialist shall be notified in writing of the basis for such action and shall have an opportunity to submit a written reply no later than ten days after the receipt of such notice.

(e) The Specialist shall also have an opportunity to be heard upon the specific grounds to be considered before the Market Performance Committee and a written record of any such hearing shall be maintained. Following any such proceeding, the Market Performance Committee will inform the Specialist in writing of its decision and any actions to be imposed, and its reasons therefore. The decision of a majority of the members of that Committee shall be final, subject to the power of the Board of Governors to review such decision in accordance with the provisions of Article II, Section 6 of the Constitution.

● ● ● Supplementary Material: ...

.10 Stock Reallocation --Notice of Particular Stock --Together with written notice of the specific grounds to be considered as the basis for withdrawal of approval, the Market Performance Committee will give the member written notice of the particular stock or stocks to be considered for withdrawal of approval and give a written explanation of the basis on which the stock or stocks were selected.

.20 Stock Reallocation --Selection of Particular Stocks --In designating a particular stock or stocks to be considered as the basis for withdrawal of approval, the Market Performance Committee
shall consider indications of weaknesses in specialist performance in individual stocks to the extent such indications are available. Such indications of weak performance may include, among other factors, references to a particular stock by those responding to initial or supplemental evaluation questionnaires, references in such questionnaires to weaknesses in performance of a type which relate to a particular stock or groups of stocks, and/or indications of weaknesses as demonstrated by the objective measures in such stock or stocks.

When the available measures of Specialist performance indicate weak performance generally, and not precisely in any particular stock or stocks, the Market Performance Committee may decide nonetheless to withdraw approval for a particular stock or stocks. In any case, the Market Performance Committee will exercise its best judgment to select a stock or stocks as to which a reallocation by the Stock Allocation Committee is likely to result in improved Specialist performance.

.30 Trading and/or Alternate Specialist Account Suspension -- A Specialist that meets a condition for review subject to the Specialist Performance Evaluation Program criteria after one review period resulting in a deficient score for the overall evaluation program or for two review periods with a deficient score in any one objective measure shall be put on notice that approval for his or her trading account or Alternate Specialist Account may be suspended if the Specialist receives a deficient score in the subsequent review period and may continue until the Specialist's scores meet the threshold levels as set forth in Paragraph 2156(d).

.40 Other Action -- The Market Performance Committee, in addition to the foregoing actions, may take such other action as it deems appropriate to address deficient performance of a Specialist.

.50 While reallocated stocks will not be restored upon the improved performance of a Specialist, a Specialist may, with the approval of the Market Performance Committee, have lifted one or more of the actions previously imposed.

.60 The Market Performance Committee, in determining which action(s) should be applied against a deficient Specialist, will use the following guidelines to determine the order of actions, but in its discretion may apply them in any order or may apply more than one in a given situation:

(i) Suspension of trading account privilege.

(ii) Suspension of Alternate Specialist account privilege.

(iii) Stock reallocation.

.70 In the event that a Specialist is ranked in the bottom ten percent but does not fall below the threshold level for the overall evaluation program, Exchange staff will review the performance of the Specialist to determine if there is sufficient reason to warrant informing the Market Performance Committee of potential performance problems.

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Amended.

March 20, 1975.

May 1, 1975.

December 7, 1977.

SEC. 18. Procedures For Competing Specialists

Any specialist can apply to the Exchange to function as a competing specialist pursuant to these procedures:

1. Applications to compete must be directed to the Market Performance Committee in writing and must list in order of preference the stock(s) in which the applicant intends to compete. The Market Performance Committee will use the following guidelines in reviewing an application:

- overall performance evaluation results of the applicant
- financial capability
- adequacy of manpower on the floor
- objection by the regular specialist in a stock, with or without cause

2. Objections to Competition

a. Any objection by the regular specialist to permit competition in one or more of such specialist's stocks must be in writing on a form designated by the Exchange and filed with the Exchange within 24 hours of notice of the competing specialist's application.

b. A Market Performance Committee meeting will be scheduled to review the reasons for objection, and to determine whether an entering competitor could jeopardize the fair and orderly
market maintained by the regular specialist in relation to the stock at issue. The regular specialist will be permitted to appear before the Committee to give the Committee the opportunity to question the regular specialist in regard to the reasons for objection. The applicant (competitor) will also be permitted to appear before the Committee to respond to any issues raised. After the Market Performance Committee renders its decision, either party may appeal to the Executive Committee and then, if necessary, to the Board of Governors.

c. Pending Market Performance Committee review of any objection, competition in the security may be permitted upon the affirmative determination of a majority of the floor members of the Market Performance Committee, based on the standard set forth in Paragraph b. of this Section 18. Pending the outcome of any appeal process, competition in the security at issue will be permitted. The results of such competition may be used by either the regular specialist in support of their objection, or considered by the Market Performance Committee, Executive Committee, or Board of Governors, in their respective determinations.

3. All applicants must be registered with the Exchange as specialists and must meet the current minimum requirements for specialists set forth in Chapter XV, the minimum capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange. A competing specialist will be subject to all of the rules and policies applicable to a regular specialist.

4. All applicant organizations, existing or newly created, must satisfy the Market Performance Committee that they have sufficient manpower to enable them to fulfill the functions of a specialist as set forth in Chapter XV in all of the stocks in which the applicant will be registered either as a regular or a competing specialist.

5. The regular specialist will receive all order flow not specifically directed to a competitor.

6. The specialist/competing specialist is responsible for all orders directed to him/her.

7. In any competitive situation, if either the regular specialist to whom a stock was originally assigned or the specialist organization which subsequently received approval to compete with the regular specialist desires to terminate the competition by requesting that it be relieved of the stock that is the subject of the competition, it should so notify the Market Performance Committee at least three business days prior to the desired effective date of such withdrawal. When the regular specialist requests to be relieved of a stock, the stock shall be posted for reallocation by the Stock Allocation Committee. In the interim, if the Market Performance Committee is satisfied that the competing specialist can continue to maintain a fair and orderly market in such stock, the competing specialist shall serve as the regular specialist until the stock has been reallocated.

Where there is more than one competing specialist in the stock, Exchange staff shall place the stock with a caretaker until reallocation.

8. Any competing specialist who withdraws his/her registration in a stock will be barred from applying to compete in that same stock for a period of ninety (90) days following the effective date of withdrawal.

9. Notwithstanding the existence of competing specialist situations, there is only one Exchange market in a security subject to competition. Due to the ease of communications on the Floor via the Stentofon System, it will not be necessary to locate competing specialists adjacent to each other. However, all specialists must be responsible for their portion of the published bid and/or offer, and the BEACON System will update quotations accordingly. Also, competitors must cooperate with the regular specialist regarding openings and reopenings to ensure that they are
10. Because there is only one Exchange market in a security subject to competition, all limit orders sent to the Exchange will be maintained by the BEACON System's central limit book and will be executed strictly according to time priority as to receipt of the order in the BEACON System, irrespective of firm order routing procedures. This rule shall not be applicable where the quotation on the book is for the account of a specialist/competing specialist and another specialist/competing specialist has received an order directed to him. In such event, the specialist/competing specialist can elect to execute the order for his own account at the same price as the other specialist/competing specialist's order, or a better price, or to permit the order to be executed against the specialist/competing specialist's quotation.

11. Competing specialists must keep each other informed and communicate to inquiring Floor brokers the full size of any executable "all or none" orders in their possession since all-or-none orders cannot be represented in the published quote. The competing specialists are expected to represent such orders on a "best efforts" basis to ensure the execution of the entire order at a single price or prices, or not at all.

12. The registration of any competing specialist may be suspended or terminated by the Market Performance Committee upon a determination of any substantial or continued failure by such competing specialist to engage in dealings in accordance with the Constitution and Rules of the Exchange.

Adopted.

May 18, 1994.

Amended.


March 29, 1996.

July 19, 1996.


June 5, 2002.

September 12, 2002.

1Only the regular specialist can object to competition in his/her stocks. \(^2\)Unless the regular specialist is unavailable, in which case within 24 hours of becoming available. \(^3\)Once an application is received by the Exchange, notification will be issued to the regular specialist(s) in whose stocks competition is being sought. \(^4\)All appeals must be submitted within ten (10) business days of the final decision of either the Market Performance Committee or the Executive Committee. \(^5\)Once the stock has been reallocated to a regular specialist, that specialist shall not be permitted to object to competition in such stock.

Chapter XVI – Special Offerings

When permitted
(1) Notwithstanding the provisions of other Rules, which might otherwise apply, the Exchange may, subject to the conditions specified in this Rule and to compliance with the provisions contained herein, permit a "Special Offering" (as herein defined) to be made through the facilities of the Exchange, provided that the Exchange (after consulting and with the concurrence of a Governor who is active on the Floor of the Exchange) shall have determined that the regular market on the Exchange cannot, within a reasonable time and at a reasonable price or prices, absorb the particular block of a security which is to be the subject of such Special Offering. In making such determination the following factors shall be taken into consideration, via:

(a) the price range and the volume of transactions in such security on the Floor of the Exchange during the preceding six months;

(b) attempts which have been made to dispose of the security in the regular market on the Floor of the Exchange;

(c) the apparent past and current interest in such security in such regular market on the Floor; and

(d) the number of shares or bonds and the current market value of the block of such security proposed to be covered by such Special Offering.

Except in special circumstances, a Special Offering will not be permitted unless the offering involves at least 1,000 shares of stock with an aggregate market value of not less than $25,000, or $15,000 par value in bonds with an aggregate market value of not less than $10,000.

**Definition — Provision for special commission for placing security**

(2) A Special Offering is defined as an offering (designated as a fixed price offering) by one or more members or member-organizations acting for his or its own account or for the account of one or more other persons, for the sale of a block of a security dealt in on the Exchange, through the facilities of the Exchange at a price not in excess of the last sale of such security or the current offer of such security in the regular market on the floor of the Exchange, whichever is the lower, but equal to or higher than the current bid for such security in such market, whereby the offeror agrees to pay a commission to such members or member-organizations as may accept all or any part of such Offering for the account of their customers; provided, that the security which is the subject of such Offering is a security to which the exemption afforded by Regulation §240. 10(b)-2(d)(1) issued by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 and such amendments thereto as have been or may be from time to time adopted, is available at the time of such Offering.

**Conditions**

(3) No Special Offering, as provided in these Rules shall be made unless each of the following conditions is complied with, vi:

(a) The person for whose account such Special Offering is to be made shall at the time of such Offering be the owner of the entire block of the security so to be offered, except that for the purpose of stabilizing, there also may be sold for such person's account, or for the account of any member or member-organization offering the block of security on his behalf, as part of the Special Offering, an amount not to exceed 10% of the shares or bonds owned and originally offered in the Special Offering by such person.

(b) The person for whose account such Special Offering is to be made shall include within the Offering all of the security which he then intends to offer within a reasonable time, and there shall be furnished to the Exchange before the Offering is made a written statement by the offeror to that effect or a written statement by his broker stating that the broker has been so advised by the
(c) A Special Offering shall be automatically suspended so long as an offering exists "regular way" at a price which would permit a purchase at a lower net cost than in the Special Offering. Unless otherwise specifically exempted by the Exchange, every Special Offering shall remain open for a minimum period of 15 minutes, inclusive of any period during which it is suspended by operation of the above provision. A Special Offering which has not been completed in the 15-minute minimum period shall not be withdrawn before completion without the approval of the Exchange.

(d) The person for whose account such Special Offering is made shall agree that during the period such Offering is open, he will not offer in the regular market on the Floor of the Exchange any shares or bonds of the security which is the subject of such Special Offering, unless the prior permission of the Exchange is first obtained.

(e) No member or member-organization shall directly or indirectly receive any part of the commission referred to in paragraph (2) in connection with any purchase for his or its own account or the account of a partner or stockholder thereof or for the account of any other member or member-organization or partner or stockholder thereof, made pursuant to a Special Offering.

(f) A Special Offering shall not be made unless it can be accepted in a lesser amount or amounts than the total of the securities offered.

(g) A Special Offering shall be made for acceptance in round lots or in odd lots, without preference, and in the case of an odd-lot purchase no differential shall be added to the gross purchase price of the Special Offering.

(h) When buying orders in a Special Offering exceed the amount available in the offering, the offered security will be allocated in reasonably proportionate amounts.

**When effective**

(4) A Special Offering, when approved, shall become effective upon announcement by the Exchange of the terms and conditions of such Offering.

**Terms of offering to be announced --Transaction record --Termination**

(5) The terms of a Special Offering shall be announced before it is effective, with a statement, if such be the fact, that stabilizing transactions have been effected or are contemplated and that it is intended to over-allot as permitted by paragraph (3)(a). Transactions effected pursuant to a Special Offering shall be transmitted promptly to the station on the Floor designated for the recording of transactions, and the record shall show the gross price and the commission in a legend such as: "SP OFF 100 XYZ 40 COM 1/2 ", as well as the number of orders involved in such transaction where more than one order is involved. When the Offering is terminated, an announcement to that effect shall be made; and when the intention to stabilize is terminated, such fact shall be announced, together with a statement that stabilizing transactions have been effected, if such be the fact.

**Odd lots**

(6) Transactions effected pursuant to a Special Offering shall not affect the execution of any outstanding "regular way" odd-lot orders.

**Authorization**

(7) (a) A Special Offering may be approved and made only if the person or persons for whose
account it is proposed to be made shall have specifically authorized such Offering and its terms.

**Disclosure**

(b) A member or member-organization effecting for the account of a customer a purchase pursuant to a Special Offering shall confirm such transaction to such customer at the offering price and shall not charge to or collect from such customer any commission on account of such transaction.

The confirmation by a member or member-organization to a buyer or seller in a Special Offering shall state in full the terms and conditions of the Special Offering. The confirmation to a buyer shall state at least:

1. That the purchase was part of a Special Offering;
2. That no commission is to be charged to the customer;
3. That the seller is to pay a special commission to the member or member-organization, if such be the fact;
4. The amount of such special commission;
5. The information announced regarding stabilizing transactions or the intention to stabilize; and
6. The nature of the member's or member-organization's interest in the Special Offering, if any, other than its interest as a recipient of the special commission.

(c) A member or member-organization soliciting purchase orders for execution pursuant to a Special Offering shall advise the person so solicited of the terms and conditions of such Offering before effecting any transaction for such person pursuant thereto. Such disclosure shall include at least the items described in items (1) to (6) of paragraph (7)(b).

(d) A member or member-organization with an order for the purchase of a security which is the subject of a Special Offering shall effect such purchase in the regular market whenever a "regular way" offering is available which would permit such purchase at a lower net cost than in the Special Offering. Every order for purchase in a Special Offering shall be accepted pursuant to the above condition.

**Regular commission to broker for offeror**

(8) The provisions of Chapter VII with respect to give-up commissions on transactions between members and member organizations shall apply to all such transactions effected in connection with or pursuant to a Special Offering or Special Bid.

**Amended.**

May 1, 1975.

**Chapter XVII – Members Dealing for Own Account**

**May not take or supply securities named in order**

No member, while acting as a broker, shall buy or sell directly or indirectly for his own account, or for that of a partner or stockholder of the member-organization of which he is a partner or stockholder, or for any account in which he or such partner or stockholder has a direct or indirect
interest, securities, the order for the sale or purchase of which has been accepted for execution by him or by such member-organization or stockholder or partner, except as follows:

Exceptions: Missing the market

(a) A member who, by reason of his neglect to execute an order, is compelled to take or supply on his own account the securities named in the order, is not acting as a broker;

Make offering above his bid

(b) A member may take the securities named in the order provided (1) he shall have offered the same in the open market at a price which is higher than his bid by 1/8 of 1% if bonds, and by the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41) if stocks, (2) the price is justified by the condition of the market, and (3) the member, if any, who gave the order shall directly, or through a broker authorized to act for him, after prompt notification, accept the trade;

Make bid below his offer

(c) A member may supply the securities named in the order, provided (1) he shall have bid for the same in the open market at a price which is lower than his offer by 1/8 of 1% if bonds, and by the approved Minimum Price Variation ("MPV") (as defined in Chapter II, Section 41) if stocks, (2) the price is justified by the condition of the market, and (3) the member, if any, who gave the order shall directly or through a broker authorized to act for him, after prompt notification, accept the trade;

Dealer-Specialists

(d) A registered Dealer-Specialist may take or supply securities named in an order executed for such member-organization provided that such member-organization shall confirm to its customer as a principal;

Odd-lot dealers

(e) A registered Odd-Lot Dealer may take or supply securities in which he is so registered in odd-lot transactions executed under Chapters XII-A and XIII, and in round-lot transactions executed under Chapter XII-B (5);

"On order"

(f) A member, acting as a broker, is permitted to report to this principal a transaction as made with himself when he has orders from two principals to buy and to sell the same security and not to give up, such orders being executed in accordance with Chapter II, Section 18, in which case he must add to his name on the report the words "on order".

Amended.

September 8, 2000.

Chapter XVIII – Conduct

SEC. 1. Penalties
Acts inconsistent with good order and decorum on the Floor of the Exchange are prohibited and may be punished by a fine not in excess of one-thousand dollars for each offense or, by a two-thirds vote of all existing members of the Board of Governors, by suspension for up to sixty days. Members will be held responsible for the conduct of their employees.

Amended.

November 21, 1975.

SEC. 2. False and Sensational Reports

The circulation of false and sensational reports when such reports are known to be false or when there is no reasonable basis for such reports is prohibited and may be punished as provided in Section 1 of this Rule.

SEC. 3. Other Penalties

Any of the acts enumerated in this Rule may be found to be acts detrimental to the interest or welfare of the Exchange or to constitute fraud or conduct inconsistent with just and equitable principles of trade, subject to the penalties provided in the Constitution.

SEC. 4. Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies

(a) In lieu of commencing a "disciplinary proceeding" as that term is used in Chapter XXX of the Exchange Rules, the Exchange may, subject to the requirements set forth in this Rule, impose a fine, not to exceed $5,000, on any member, member organization, allied member, approved person, or registered or non-registered employee of a member or member organization, for any violation of a rule of the Exchange, which violation the Exchange shall have determined is minor in nature, or for any violation of the Exchange's Floor Decorum and Security Policies ("policies").

(b) In any action taken by the Exchange pursuant to this Rule, the person against whom a fine is imposed shall be served with a written statement, signed by a Floor Official or officer of the Exchange, setting forth (i) the rule(s) or policy(ies) alleged to have been violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each such violation; and (iv) the date by which such determination becomes final and such fine becomes due and payable to the Exchange, or such determination must be contested as provided in paragraph (d), such date to be not less than 10 days after the date of service of the written statement.

(c) If the person against whom a fine is imposed pursuant to this Rule pays the fine, such payment shall be deemed to be a waiver by such person of such person's right to an appeal to a Hearing Panel.

(d) Any person against whom a fine is imposed pursuant to this Rule may contest the determination by filing with the General Counsel of the Exchange ("General Counsel") not later than the date by which such determination must be contested, a written response meeting the requirements of an Answer as provided in Chapter XXX of the Exchange Rules at which point the matter shall become a "Disciplinary Proceeding" subject to the provisions of Chapter XXX. In any such disciplinary proceeding, if the Hearing Panel ("Panel") determines that the person charged is guilty of the rule or policy violation(s) charged, the Panel shall (i) be free to impose any one or more of the disciplinary sanctions provided in Chapter XXX and (ii) determine whether the
violation(s) is minor in nature. The General Counsel, the person charged, and any member of the Board of Governors of the Exchange may require a review by the Board of any determination by the Panel.

(e) Failure to Timely File Amendments to Form U4, Form U5 and Form BD

Any member, and member and/or participant organization that is required to file Form U4, Form U5 or Form BD pursuant to Chapter I-B, Section 4 through Section 6 of the Boston Stock Exchange rules, or the Securities Exchange Act of 1934 and the rules promulgated thereunder, is required to file the applicable Form U4, Form U5 or Form BD to keep such forms current at all times. Members, member and/or participant organizations shall file an amendment to Form U4, Form U5 or Form BD not later than thirty (30) days after the filer knew of or should have known of the need for the amendment.

FINE SCHEDULE (Implemented on a running 12 month period)

<table>
<thead>
<tr>
<th>Occurrence</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Occurrence</td>
<td>$500.00</td>
</tr>
<tr>
<td>2nd Occurrence</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>3rd Occurrence</td>
<td>$2,000.00</td>
</tr>
<tr>
<td>4th Occurrence and Thereafter</td>
<td>Sanction is discretionary with BSER</td>
</tr>
</tbody>
</table>

(f) The Exchange shall prepare and announce to its members and member organizations from time to time a listing of the Exchange rules and policies as to which the Exchange may impose fines as provided in this Rule. Such listing shall also indicate the specific dollar amount that may be imposed as a fine hereunder with respect to any violation of any such rule or policy, or may indicate the minimum and maximum dollar amounts that may be imposed by the Exchange with respect to any such violation. Nothing in this Rule shall require the Exchange to impose a fine pursuant to this Rule with respect to the violation of any rule or policy included in any such listing and the Exchange shall be free, whenever it determines that any violation is not minor in nature, to proceed under Chapter XXX rather than under this Rule.

Adopted.
April 17, 1989.

Amended.
April 15, 1993.
October 1, 2007.

SEC. 5

Failure to Respond to Exchange Inquiries

(a) In accordance with Article XIV of the Constitution, for any regulatory purpose that the Exchange deems appropriate under its Constitution and Rules, all Members and Member Organizations of the Exchange, and all associated persons thereof, shall be required to (1) respond orally or in writing to any Exchange inquiry and (2) provide access to its books, records and accounts, as required to be maintained under Section 17(a) of the Securities Exchange Act
of 1934, within the timeframe specified by the Exchange in its request.

Adopted.

December 2, 1993.

SEC. 6

Upon learning of a Member’s failure to comply with Article IX, Section 12 of the Constitution, the Exchange shall: (1) provide notice to the Member within five business days; (2) allow the Member fifteen calendar days to respond; (3) absent an adequate response, schedule a hearing before a Hearing Panel consisting of a Hearing Officer who shall be the Chairman of the Panel and at least two members of the Hearing Committee within thirty calendar days; and (4) render its decision as to the existence of a violation no later than ten calendar days following the date of such hearing. Should the Hearing Panel determine a violation exists, all trading rights and privileges of the Member shall be suspended.

Adopted.


Chapter XIX – Wire Connections

Wire Connections

Registration with Exchange --Notice of discontinuance

No member or member-organization shall establish or maintain any wire or radio connection between his or its office and the office of any non-member unless such means of communication shall be registered with the Exchange. Notice of the discontinuance of any such means of communication registered with the Exchange and the reasons for such discontinuance shall be promptly given to the Exchange.

Chapter XX – Employees for the Solicitation of Business

SEC. 1.

Nominal Employment Forbidden

No member or member organization shall employ any person not otherwise to be registered with and approved by the Exchange, prior to obtaining the approval of the Exchange if such member or member organization knows, or in the exercise of reasonable care should know, that such person is subject to one or more statutory disqualifications referred to in the Securities Exchange Act of 1934, as amended.

SEC. 2.

Prior Approval Required

No person shall be employed as a registered representative or otherwise for the solicitation of business without the prior approval of and registration with the Exchange pursuant to the filing of the required form of application (Form U-4).
Member organization[s] who are also member[s] of the New York Stock Exchange or the American Stock Exchange are not subject to the foregoing registration requirements.

SEC. 3.

Types of Registration

There are two types of registration, as follows:

(a) Full Registration, which entitles the registrant to handle any and every type of business on behalf of his member or member-organization employer, after submitting to and passing a written examination satisfactory to the Exchange.

(b) Limited Registration, which entitles the registrant to handle the sale of mutual fund shares only under the following conditions:

(1) Prohibited from soliciting or accepting orders for securities other than mutual funds.

(2) No compensation may be paid to limited employees in connection with the receipt by the member-organization of orders in securities other than mutual funds.

(3) The following information must be submitted:

(a) Name

(b) Residence

(c) Office address

(d) Period of employment by member-organization

(e) Names of other employers with brief job description of such other employment

(f) Date of approval by the N.A.S.D. or qualification pursuant to Rule 15b8-1 under the Securities Exchange Act of 1934.

Principals of all firms who employ limited employees must exercise strict surveillance over such employees under the foregoing prescribed conditions.

Exceptions

The provisions of Section 2(b) and Section 3 of this Chapter shall not apply to the employment of a person whose services are to be rendered outside the New England states or in Fairfield County, Connecticut, provided such employment is approved by the New York Stock Exchange or the American Stock Exchange of which the employer is a member or member-organization.

SEC. 4.

Exchange May Disapprove

The Exchange may disapprove the employment of any employee, irrespective of the place of employment.

Amended.
May 1, 1975.

SEC. 5. Notice of Termination

The termination of employment of any person, the employment of whom required the approval of the Exchange under the provisions of this Chapter, shall be reported to the Exchange on the required Uniform Termination notice (Form U-5).

Amended.

May 1, 1975.

December 7, 1977.

SEC. 6. Gratuities

(a) No member or member organization or employee thereof shall give any gratuity in excess of $100 per person per year to any officer or employee of the Exchange, or of another member or member organization or to any officer or employee of a news or financial information medium, bank, trust company, insurance company, or any corporation, firm or individual engaged in the business or dealing, either as broker or principal in stocks, bonds or other securities, bills of exchange, acceptances or other forms of commercial paper, without the prior written consent of the employer and in the case of Floor employees, the prior written consent of the employer and the Exchange.

(b) A gift of any kind is considered a gratuity.

(c) A record shall be retained and be available for inspection by the Exchange for at least three years of each gratuity given to a person covered by (a) above.

Adopted.


Chapter XXI – Advertising and Market Letters

SEC. 1. False or Misleading Material

It shall be considered conduct inconsistent with just and equitable principles of trade for a member or member-organization, directly or indirectly, to publish, circulate or distribute any advertisement, sales literature or market letter which the member or member-organization knows or has reason to know contains any untrue statement of material fact or is otherwise false or misleading.

SEC. 2. Definitions
For the purpose of administering this Rule,

(a) "advertisements" shall include any material for use in any newspaper, magazine or other public media or by radio, telephone recording, motion picture or television;

(b) "sales literature" and "market letters" shall include notices, circulars, reports, newsletters, research reports, form letters, or reprints or excerpts of the foregoing, or reprints of published articles; and

Exceptions

(c) there shall be exempted from the provisions of this Rule

(i) so-called tombstone advertisements, which do no more than identify a security, state its price, offer literature about the security, identify the member or member-organization and state that he or it will execute orders for the security;

(ii) prospectuses or offering circulars which meet the requirements of the Securities Act of 1933 and the rules of the Securities and Exchange Commission thereunder;

(iii) advertisements and sales literature subject to the Statement of Policy of the Securities and Exchange Commission relating to investment companies;

(iv) announcements relating solely to personnel changes of members or member-organizations;

(v) letters addressed to an individual concerning only recommendations or advice relating to the individual or others for whom he may be acting; and

(vi) material intended for internal use and not distributed to the public.

SEC. 3.  
Review by Exchange

All advertisements, sales literature and market letters shall be submitted to the Exchange for review within five business days after initial use, unless any such material has already received clearance from or is required to be submitted to another national securities exchange or other regulatory body designated by the Board of Governors as having comparable standards. Copies of all advertisements should be retained by the member or member-organization for at least three years after last publication.

SEC. 4.  
Radio and Television Broadcasts

A member or member-organization desiring to make use of radio or television broadcasts for any business purpose, shall first obtain the consent of the Exchange by submitting an outline of the program, unless such member or member-organization has had clearance of the program from some other national exchange or other regulatory body designated by the Board of Governors as having adequate standards of which he or it is a member or member-organization.

SEC. 5.  
Responsibility of Exchange

The Exchange cannot be responsible for accuracy and completeness of factual information, nor
the opinions of members or member-organizations, in advertisements (including radio and television broadcasts), sales literature or market letters.

SEC. 6. Contents of Material --Limitations

Advertisements, sales literature and market letters must not contain:

(a) Promises of specific results.

(b) Exaggerated or unwarranted claims or unwarranted superlatives.

(c) Opinions with no reasonable basis.

(d) Forecasts of future events which are unwarranted or which are not clearly labeled as forecasts.

(e) References to past specific recommendations which state or imply that the recommendations were or would have been profitable and that these are indicative of the general quality of the recommendations of the member or member-organization.

SEC. 7. Recommendations

In making recommendations, members and member-organizations must have a reasonable basis for same, and the following matters should be set forth:

(a) The price at the time the original recommendation is made.

(b) That the member or member-organization usually makes a market in the issue if such is the case.

(c) Whether the member or member-organization intends to buy or sell the securities recommended for his or its own account.

(d) An offer to provide or furnish upon request available investment information supporting the recommendations.

(e) If material issued refers to past recommendations, all such recommendations as to the same type, kind, grade or classification of securities made by the member or member-organization within the last year. Longer periods of years may be covered if they are consecutive and include the most recent year. The material must name each security recommended, the date and nature of the recommendation (e.g., whether to buy or sell), the price at the time of the recommendation, the price at which or the price range within which the recommendation was to be acted upon, and that the period was one of generally rising or falling markets, if such was the case.

Material may be published which does not make any specific recommendations but which offers to furnish a list of all recommendations made by a member or member-organization within the past year or over longer periods of consecutive years, including the most recent year, if this list contains all the items specified in (e) above.

SEC. 8. Testimonials and Statements
Testimonial material concerning the member or member-organization or concerning any advice, analysis, report or other investment or related service rendered by the member or member-organization must make clear that such experience is not necessarily indicative of future performance or results obtained by others. Testimonials must also state whether any compensation has been paid to the maker, directly or indirectly, and if they imply an experienced or specialized opinion, the qualifications of the maker of the testimonial should be given.

Any statement to the effect that any report, analysis or other service will be furnished free or without charge must not be made unless such report, analysis or other service is or will be furnished free and without any condition or obligation.

No claim or implication may be made for research or other facilities beyond those which the member or member-organization actually possesses or has reasonable capacity to provide.

No hedge clauses may be used if they could mislead the reader or are inconsistent with the content of the material.

Advertisements in connection with recruitment of sales personnel must not contain exaggerated or unwarranted claims or statements about opportunities in the banking or securities business.

Each item of advertising and sales literature and each market letter used by any member or member-organization shall be approved by signature or initial, prior to use, by the member, if an individual, or by an officer or partner of such member-organization designated to supervise all such matters.

The Exchange shall have power to prohibit the publication of any advertisement (including radio or television broadcasts) wherever made and irrespective of approval by another exchange or regulatory body.

Chapter XXII – Financial Reports and Requirements – Aggregate Indebtedness – Net Capital

SEC. 1. Member's and Member-Organization's Statement of Financial Condition

(a) Each member or member-organization who does any business with the public shall file with the Exchange at least twice each calendar year, and oftener if required by the Exchange, statements of his or its financial condition in such form as shall be prescribed by the Exchange.

Annual Audit

(b) At least once each calendar year, and oftener if required by the Exchange, an audit shall be made by an independent public accountant, approved by the Exchange, in accordance with such regulations as the Exchange may prescribe, of the accounts, including securities held for safe-keeping, of each member or member-organization who does any business with the public, and a report of such audit signed by such member, if an individual, or by an individual member of the Exchange who is a partner or stockholder in any such member-organization and attested by the independent public accountant, shall be made to the Exchange not later than sixty days after the date of audit. The report required by this paragraph (b) shall be made either as a part of a financial statement submitted in accordance with paragraph (a) of this Section, or as otherwise prescribed by the Exchange. For the purpose of complying with this Rule, (1) the scope and
comprehensiveness of the audit shall be not less than the requirements prescribed by the Securities and Exchange Commission, pursuant to its Rule 17a-5, as amended, and may be made in satisfaction of that Rule: (2) copies of all reports, supplemental or otherwise, and additional financial statements required to be filed with the Securities and Exchange Commission pursuant to its Rule 17a-5, shall be filed concurrently with the Exchange. Each member and member-organization subject to the provisions of this paragraph (b) shall select an independent public accountant to make such audit, and shall notify the Exchange of the selection before January 10th of each year, submitting, at the same time, a signed copy of an agreement with such accountant in such form as shall be prescribed by the Exchange. The accountant shall notify the Exchange not later than February 10th of each year as to the scheduled audit date and shall notify the Exchange in writing when the audit has commenced. The accountant shall not be precluded from starting the audit a few days prior to the audit date for the purpose of accomplishing preliminary work. In the event of any change, replacement or termination of the accountant certifying the Annual Report, whether such action was initiated by the accountant or otherwise, the member or member-organization shall, within fifteen days thereafter, file with the Exchange identical copies of the notice and information required to be filed with the Securities and Exchange Commission pursuant to its Rule 17a-5(f)(2).

Exemption

(c) The provisions of paragraphs (a) and (b) of this Section shall not apply to a member or member-organization who is subject to requirements of another national securities exchange which, in the opinion of the Exchange, are similar to those described in the said paragraphs (a) and (b). The Exchange may, however, require that such member or member-organization submit at any time a statement of his or its financial condition in such form as shall be prescribed by the Exchange under paragraph (a) or paragraph (b) of this Section.

Any member or member-organization may be required to report

(d) Any member or member-organization, whether or not he or it does any business with the public, may be required by the Exchange to submit at any time a statement of his or its financial condition in such form as shall be prescribed by the Exchange under paragraph (a) or paragraph (b) of this Section.

Audit report and work papers to be retained

(e) A copy of the answer to each financial questionnaire, and a copy of each audit report prepared by an independent public accountant under the provisions of this Chapter, and all working papers and memoranda relating thereto, shall be retained by the member or member-organization and such independent public accountant for at least three years or for such longer period as may be required by the rules of the Securities and Exchange Commission. All such questionnaires and reports, including all related working papers and memoranda, whether in the custody of the independent public accountant or otherwise, shall be available for audit and review by a representative of the Exchange.

Monthly computations to be submitted and preserved

(f) Every member, or member-organization, whether or not he or it does any business with the public, shall prepare monthly and submit to the Exchange on or before the 20th day of each month, a computation of Net Capital and Aggregate Indebtedness computed in accordance with Section 2 of this Chapter, unless such member or member-organization is subject to a similar requirement of another national securities exchange. In complying with this provision (f) members may, in their discretion, elect not to extend the required computations beyond those that are necessary to establish compliance with (a) the minimum Net Capital requirement, and (b) the limitation of Aggregate Indebtedness to Net Capital. Copies of the required computations, including all related working papers and memoranda, shall be preserved by the member or
member-organization for a minimum of two years or for such longer period as may be required by the rules of the Securities and Exchange Commission.

**Immediate report required of any capital deficiency**

(g) Each member or member-organization shall forthwith notify the Exchange in writing if, at any time, his or its Net Capital does not equal or exceed the minimum required under Section 2 of this Chapter, or if his or its Aggregate Indebtedness exceeds 1200 percentum of his or its Net Capital. If either of these conditions continue to exist for more than fifteen (15) consecutive business days after discovery, the member or member-organization shall be restricted from expanding his or its business and shall take such other measures as the Exchange may determine and deem necessary under the circumstances.

**Capital withdrawals require Exchange approval**

(h) No member, member-firm or member-corporation shall permit the withdrawal of capital, whether contributed, subordinated, or otherwise, without the prior written approval of the Exchange, if at the scheduled date of withdrawal and after giving effect to such withdrawal, his or its aggregate indebtedness would exceed 1200 percentum of his or its net capital or his or its net capital would fail to equal or exceed the minimum Net Capital required under Section 2 of this Chapter.

**Subordinated borrowings require Exchange approval**

(i) Subordinated borrowings of cash or fully paid securities by a member or member-organization and included in Net Capital under Section 2 of this Chapter must be evidenced by a subordination loan agreement satisfactory to and approved by the Exchange. Such agreement must contain all of the conditions prescribed by the Exchange, as defined in a 'Guide to Preparation of Subordination Agreements', a copy of which may be obtained from the Department of Member-Firms.

**Initial Net Capital**

(j) The initial Net Capital of a member or member-organization doing business with the public shall be at least 120% of the minimum Net Capital required to be maintained under Section 2 of this Chapter.

**Additional requirements in special cases**

(k) The Exchange may at any time or from time to time in the case of a particular member or member-organization prescribe greater requirements than those prescribed in this Chapter.

**Annual 17A-10 Report**

(l) Each member or member-organization shall furnish to the Exchange a copy of his or its annual Income and Expense Report, Form 17A-10, promptly after the filing thereof with the Securities and Exchange Commission or any national securities exchange or national securities association pursuant to a plan approved under Rule 17a-10 of the Securities Exchange Act of 1934.

Amended.

December 1, 1972.


October 24, 2005.
SEC. 2  
Capital and Equity Requirements

(a) All member and member-organizations shall at all times --

(i) Maintain net capital not less than that prescribed by SEC Rule 15c3-1 (17 CFR 240.15c3-1);

(ii) Be subject to Appendix D of SEC Rule 15c3-1 in regard to Satisfactory Subordination Agreements and

(iii) Be subject to the reporting requirements set forth under SEC Rule 17a-11 and the SEC's Early Warning Rule contained therein.

(b) A member or member-organization using the facilities doing business on the Floor of the Exchange as a floor broker who does not have any public customers shall at all times maintain minimum net capital with the Exchange of at least $25,000.

(c) A member or member-organization registered as a specialist doing business on the floor of the Exchange, whose business may include floor brokerage for other professionals and who does not carry any customer accounts shall at all times maintain a minimum net capital, as defined by SEC Rule 15c3-1, equal to the greater of (a) $100,000 or (b) the value of 200 shares of each security in which such specialist is the dealer, marked-to-market at not less than the minimum margin of 25% of market value.

(1) Collateral adjustments to Net Capital for securities valued at less than $10 (ten dollars) per share when financed by the Exchange are to be applied only to those positions held by the Exchange for the member. --In addition to the haircuts provided for in SEC Rule 15c3-1 or Paragraph (2)(i) below, further haircuts may apply for primary, trading, alternate or collateral positions carried by the Exchange (subsidiary clearing corporation) for the following:

(i) Where a single issue valued less than $10- per share comprises in excess of 30% of the total equity in an account, such account will be haircut an additional 30% on the excess value for the net capital computation unless conditions warrant a specific exemption.

(ii) Where all the issues valued at less than $10- (ten dollars) per share together comprise more than 50% of the total equity in an account, such account of the member firm, will be haircut an additional 30% on the excess value for the net capital computation unless conditions warrant a specific exemption.

(iii) The greater of (i) or (ii) above will be applied.

NOTE:

Certain market conditions may warrant specific exemption from the collateral adjustments for issues valued at less than $10.- per share. These relate solely to the specialist's responsibilities for maintaining fair and orderly markets. Trading accounts will not be exempted under any conditions.

(2) All remaining securities haircuts for Net Capital purposes shall be as follows:

(i) Specialists who do not have any public customers and who do not have an active trading account, (as defined by the Securities and Exchange Commission), shall be haircut 15% on both long and short security positions prior to the required computation.
(ii) Specialists who do not have public customers but have an active trading account, shall be 
haircut 30% on the greater position, long or short. And, when the lesser position exceeds 25% of 
the greater position, the excess above 25% of the greater position shall be haircut 15%.

NOTE: In computing net capital all securities shall be taken at market value. Haircut applications 
shall not apply to any U.S. Government backed treasury notes or bills.

(d) A member-organization using "the facilities" doing business on the floor of the Exchange 
pursuant to paragraphs (b) or (c) above may utilize subordination agreements in support of net 
capital and/or equity requirements herein provided such agreements are filed with and accepted 
by the Exchange on such standard subordination agreements provided by the Exchange. (The 
Exchange Agreement each contain Instructions and filing requirements therein).

(e) If the Net Capital of a specialist does not equal or exceed the minimum requirements herein 
for a period of more than five (5) consecutive days, the member or member-organization shall be 
restricted from expanding his or its business and shall be subject to such other measures as the 
Market Surveillance and Compliance Staff ("the staff"), with the authority of the Market 
Performance Committee may deem necessary under the circumstances.

(1) Remedial Steps for a Capital Deficiency. If an account has a capital deficit, then the member 
must correct the deficit by 11:00 a.m. on the following business day unless the staff of the Market 
Surveillance and Compliance Department ("the staff") determines that the violation must be 
corrected immediately. If the member has not corrected the deficiency, "the staff" may take 
whatever action is deemed necessary upon consulting a Floor Governor including liquidating 
positions or freezing the account to correct the deficiency. A capital deficit of any amount is 
serious. However, deficits under $500.- will be exempt from this rule provided that the deficit is 
corrected promptly.

(2) In addition to prompt remedial action the Market Performance Committee has established the 
following sanctions to be administered by "the staff" as a means of fostering compliance with the 
Net Capital requirements:

(i) On the first violation --the member will be required to meet with "the staff" to identify the 
problem, review the rules and to explain what remedial action(s) will be taken by the member.

(ii) On the second violation --the member will receive a written warning from the staff.

(iii) On the third violation --the member will be fined $500.-.

(iv) On the fourth violation --the member will be fined $1,000.-.

(3) Any subsequent violations -- The Market Performance Committee will review such activity for 
the purpose of determining whether restrictions and/or disciplinary action may be appropriate.

NOTE: For purposes of determining the number of violations a twelve month period will be used 
as a reference from the effective date of the rule. Once the verbal and written warnings have 
been given, these steps will not be repeated.

EXCEPTIONS: If a member, in the judgment of "the staff" and concurrence of a Floor Governor, 
incurs a capital deficiency as a result of fulfilling his specialist obligations during unusual market 
activity then the deficiency will be exempted from the sanctions as described in Sections 2 and 3.

(4) Any of the above sanctions and/or remedial actions imposed by the Market Surveillance and 
Compliance Department representative may be appealed to the Market Performance Committee 
upon written notice stating the reasons and/or mitigating circumstances for such appeal.
(f) The following minimum EQUITY REQUIREMENTS shall apply to all specialists conducting business on the Exchange floor and shall be required to be maintained with the Boston Stock Exchange Clearing Corporation ("Clearing Corporation"). For those specialists who are members of the Clearing Corporation, up to the amount prescribed pursuant to Rule II, Section 2 of the Clearing Corporation Rules may be utilized by the Clearing Corporation and is deemed Clearing Fund pursuant to Rule II, Section 5 of the Clearing Corporation Rules.

PHASE I

(i) Notwithstanding the foregoing minimum net capital requirements applicable to specialists, effective on and after July 1, 1993, each specialist shall be required to maintain a liquidating equity for each specialist account of not less than $160,000 in cash or securities.

(ii) If at any time a specialist's equity drops below $160,000 (but above $140,000), such specialist will be given an Early Warning Alert notice by the Exchange alerting the specialist of their equity position and their proximity to the maintenance requirement with a statement as to the action that will be taken by the Exchange if the maintenance requirement is violated as contained in (iv) below. A specialist may not operate under the Early Warning Alert Status continuously for more than sixty (60) business days, except in situations where the specialist is actively seeking additional financing and has requested additional time in writing from General Counsel or in his absence a senior officer of the Exchange who will present such request for exception from the Market Performance Committee or in special circumstances the Executive Committee.

(iii) If a specialist's equity drops below the requirement of $140,000, such specialist will be required to notify the Exchange as to the steps that are being taken to supply additional equity and such specialist will be given five (5) business days to increase their equity to the minimum requirement of $160,000.

(iv) If a specialist is unable to increase their equity to $160,000 within five (5) business days, or if at any time the specialist's equity drops below $130,000, all of such specialist's stocks will be assigned to another specialists, under a caretaker arrangement for not more than twenty (20) business days. Unless the liquidating equity is increased to the $160,000 within the twenty (20) business days, the stocks will be subject to allocation to other specialists.

(v) The Market Performance Committee may consider mitigating circumstances and/or market conditions in providing temporary relief or to ascertain alternatives that may be applied where a specialist is unable to maintain the increased requirements on July 1, 1993 or January 1, 1994.

PHASE II

(i) Notwithstanding the foregoing minimum net capital requirements applicable to specialists, effective on and after January 1, 1994, each specialist shall be required to maintain a liquidating equity for each specialist account of not less than $200,000 in cash or securities.

(ii) If at any time a specialist's equity drops below $200,000 (but above $175,000), such specialist will be given an Early Warning Alert notice by the Exchange alerting the specialist of their equity position and their proximity to the maintenance requirement with a statement as to the action that will be taken by the Exchange if the maintenance requirement is violated as contained in (iv) below. A specialist may not operate under the Early Warning Alert Status continuously for more than sixty (60) business days, except in situations where the specialist is actively seeking additional financing and has requested additional time in writing from General Counsel or in his absence a senior officer of the Exchange who will present such request for exception from the Market Performance Committee or in special circumstances the Executive Committee.

(iii) If a specialist's equity drops below the requirement of $175,000, such specialist will be required to notify the Exchange as to the steps that are being taken to supply additional equity
and such specialist will be given five (5) business days to increase their equity to the minimum requirement of $200,000.

(iv) If a specialist is unable to increase their equity to $200,000 within five (5) business days, or if at any time the specialist's equity drops below $160,000, all of such specialist's stocks will be assigned to another specialist(s), under a caretaker arrangement for not more than twenty (20) business days. Unless the liquidating equity is increased to $200,000 within the twenty (20) business days, the stocks will be subject to allocation to other specialists.

(g) Notwithstanding the foregoing requirements applicable to specialists, each approved trading account and/or alternate specialist account shall be required to maintain at all times a liquidating equity in their account of not less than $50,000 above the current minimum equity requirement in cash or securities. This additional equity requirement will not affect the early warning alert ranges. If the equity drops below this additional requirement, then activity in either or both accounts must cease immediately until the additional equity requirement is met or the account(s) is closed.

(h) The term liquidating equity is defined as the excess of cash, readily marketable securities and amount due from registered clearing organizations over all liabilities other than satisfactory subordination agreements.

(i) A member organization shall promptly notify the Exchange if it ceases to be in compliance with the net capital requirements of SEC Rule 15c3-1 and/or the Equity Requirements of paragraphs (f) and (g) herein: A member or member-organization shall also promptly notify the Exchange of any material unsecured or partly secured loan, drawing in excess of share of profits, or other obligation owed to the member-organization by (i) any person, including subordinated lender, having a capital interest in the member-organization, (ii) any partner, officer, director or employee of the member-organization, or (iii) any corporation, firm or entity in which any partner, officer, director or employee of the member-organization hold office or has a material financial interest. Such notification may show such obligations owed to the member-organization by category without personal identification, except that personal identification shall be made in respect to any person having such obligations equal to five percent of more of the member-organization's debt equity total.

Financial Statements

(j) Broker-dealers assigned to the Boston Stock Exchange as their designated examining authority, while not in contravention of any other regulatory rule or requirement shall;

(i) File an annual unaudited financial statement consisting of FOCUS Part IIA and Schedule I.

(ii) File quarterly FOCUS Part IIA and at calendar year end a Schedule I if they maintain an active trading account.

(iii) Not foregoing the above requirements of (i) and (ii) the broker-dealer shall be required to file an audited or an unaudited financial statement at any time as directed by "the staff" with the concurrence of the Market Performance Committee.

Responsibility of Computations of Net Capital Requirements

(k) It shall be the responsibility of members and partners and officers of member-organizations to effect consistent compliance by their respective organizations with the net capital requirement of the Exchange. The frequency of computations of net capital shall be no less than once a month unless otherwise required by the Exchange. All computations shall be retained for a period of not less than three years.

Restrictions on Operations
Whenever it shall appear to the "the staff" that a member-organization is unable, within a reasonable period, to maintain sufficient Net Capital or that a member-organization is carrying inventories which are excessive in relation to its capital; is failing to maintain necessary operational personnel and facilities, or is engaging in any other activity which casts doubt upon such member-organization's continued compliance with the Net Capital requirements of the Securities and Exchange Commission or the Exchange, the staff with the concurrence of the Market Performance Committee may impose such conditions and restrictions upon the operations, business and expansion of such member-organization and may require the submission of, and adherence to, such plan or program for the correction of such situation as determined to be necessary or appropriate for the protection of investors, other member and member-organizations and the Exchange. For each action taken under this section the member-organization shall promptly be afforded an opportunity for an appeal to the Market Performance Committee, in accordance with the provisions of Section 19(d) of the Securities and Exchange Act.

In the event that a specialist drops below the additional equity requirement to carry an alternate and/or trading account, such specialist shall be notified in writing by the Exchange that the account(s) is inactive. In addition, a specialist may request, in writing, inactive status on an alternate or trading account(s) for any reason and without so stating. In either event, where an account(s) has been inactivated, in order to reactivate the account(s), the specialist must make a written request of the Exchange and be approved by three (3) floor members of the Market Performance Committee for interim approval subject to ratification by the full committee.

Reporting of Assets and Liabilities Attributable to Broker-Dealers

Broker-Dealers assigned to the Boston Stock Exchange as their Designated Examining Authority ("DEA") are required to:

(1) Submit to the Exchange Financial and Operational Combined Uniform Single Report ("FOCUS") reports, in compliance with Securities and Exchange Commission Rule 17a-5, which must include all assets and liabilities attributable to the broker-dealer.

(2) Report to the Exchange on a quarterly basis (or more often as deemed appropriate by the Exchange), the following:

(a) All assets and liabilities attributable to the broker-dealer or held by another entity for the broker-dealer's account. This shall include:

(i) All checking accounts, brokerage accounts, debts, etc., in the broker-dealer's name or guaranteed by the broker-dealer; and

(ii) Liabilities of other entities, broker-dealers or individuals assumed by the broker-dealer;

(b) A description of any outstanding litigation or contracts which may have a material financial impact on the broker-dealer or its business; and

(c) A pro-forma consolidated capital computation of assets and liabilities of any subsidiary or affiliate for which the broker-dealer guarantees, endorses or assumes directly or indirectly the obligations or liabilities.

(3) Immediately notify the Exchange of any financial matters, including but not limited to litigation and contracts, which may have a material impact on its capital and/or its equity requirements pursuant to Exchange Rules.

Amended.
January 1, 1984.


July 1, 1993.


October 7, 1996.

October 24, 2005.

SEC. 3.
Accounts of General Partners or Voting Stockholders Carrying Margin Accounts for the Public

(a) No general partner or holder of voting stock of a member-organization carrying margin accounts for other than members of a national securities exchange and brokers and dealers registered under the provisions of Section 15(b) of the Securities Exchange Act of 1934 shall effect or cause to be effected any transaction in securities, other than transactions entered into in error, for any account (other than an account of his own firm or corporation or an exempted account) in which he has a direct or indirect interest and which is carried by his own firm or corporation or by any broker or dealer, unless such transactions are made on a "cash" basis.

Accounts of member-organizations carrying margin accounts for the public and general partners and voting stockholders in such member-organizations

(b) No member-organization carrying margin accounts for other than members of a national securities exchange and registered brokers and dealers shall

(1) effect or cause to be effected any transaction (other than transactions entered into in error) for any non-exempted account in which such firm or corporation has a direct or indirect interest, or

(2) permit a general partner or holder of voting stock to effect or cause to be effected any transaction for any non-exempted account on the books of the firm or corporation in which he has a direct or indirect interest, or

(3) withdraw or permit a general partner or holder of voting stock to withdraw cash or securities.

if in any case such firm or corporation has or should have knowledge that as a result of any such transaction or withdrawal the aggregate market value of (1) the security positions in non-exempted accounts of such firm or corporation and (2) the security positions in all non-exempted accounts of its general partners on the books of the firm which are considered in the computation of the net capital of the firm would exceed the net capital of the firm or corporation computed in accordance with the requirements of the Exchange, except that securities and "spot" commodities shall be credited at their full market value.

Exempted Accounts

(c) The exempted accounts referred to in paragraphs (a) and (c) of this Rule shall be accounts
which contain only transactions or positions in securities involved in or resulting from the following:

(1) Transactions for the account of a firm or a general partner thereof or a corporation or holder of voting stock thereof while acting as a Dealer-Specialist, in securities in which he or his firm or corporation is registered;

(2) Transactions for the account of a firm or a general partner thereof or a corporation or holder of voting stock thereof while acting as an Odd-Lot Dealer, in securities in which he or his firm or corporation is registered;

(3) Transaction for a joint account, in which the only participants are the member-organization carrying such account and a registered Dealer-Specialist and/or Odd-Lot Dealer, in securities in which such Dealer-Specialist and/or Odd-Lot Dealer is registered, provided such account has, upon application by the member-organization carrying such account, been approved by the Exchange as an exempt account for the purposes of this Rule.

(4) Transactions entered into for *bona fide* arbitrage;

(5) Transactions entered into in connection with a primary or secondary distribution provided:

(i) that as to a primary distribution, a registration statement under the Securities Act of 1933 is in effect as to the security, or the issuance of the security is subject to the provisions of Section 20a of the Interstate Commerce Act; or

(ii) that in the case of a secondary distribution of a security dealt in on the Exchange, it has been approved by the Exchange; or

(iii) the Exchange exempts the transactions as involving a *bona fide* primary or secondary distribution of securities not acquired in the open market.

(6) Transactions effected for the account of a member-organization or a general partner or holder of voting stock thereof to enable it or him to fill an order of a customer who has agreed that cash payment in full will be promptly made for securities purchased or that securities sold will be promptly delivered;

(7) Short sales provided that, in addition to the proceeds of the sale, cash equal to the cover value of all securities short in the account, or securities having an equivalent loan value, are maintained in the account;

(8) Purchases for the account of a member-organization, in the regular course of its business as a dealer, of obligations or preferred stocks of an investment character for the purpose of making a merchandising profit (as opposed to the purpose of holding for appreciation or investment), and covered by the first four ratings by any of the nationally known statistical services; and


**SEC. 4.**

Report of Borrowing by Members and Allied-Members

Every member, allied-member and member-organization is required to report forthwith to the Exchange the following:

(a) Each loan in the amount of $2,500 or more (whether of cash or securities) obtained by him or
(b) Each loan in the amount of $2,500 or more (whether of cash or securities) to any member, allied-member or member-organization; provided, however, that no report shall be required with respect to:

**Exemptions**

(1) Any loan fully secured by readily marketable collateral so long as such loan remains so secured;

(2) Any loan of securities made by the borrower for the purpose of effecting delivery against a sale where money payment equivalent to the market value of the securities is made to the lender and such contract is marked approximately to the market;

(3) Any loan on a life insurance policy which is not in excess of the cash surrender value of such policy;

(4) Any loan obtained from a bank, trust company, monied corporation, or fiduciary on the security of real estate;

(5) Any loan transactions between general partners or holders of voting stock of the same member-organization; or

(6) Any loan transaction which is reported to another national securities exchange under a similar rule.

Amended.

October 24, 2005.

**Chapter XXIIA – Blanket and Fidelity Bonds**

**Blanket and Fidelity Bonds**

Each member, member-firm and member corporation doing business with the public shall carry fidelity bonds covering the member and his employees, general partners and employees, or covering officers and employees in such form and in such amounts as the Exchange may require.

The required minimum coverage of the fidelity bond will vary with the type of business done by the member or member-organization and with his or its minimum net capital requirement, as follows:

*Basic Minimum Coverage*

1. Members or member-organizations whose only business involves customers' accounts that are carried by another member or member-organization on a disclosed basis................. $25,000
2. Members or member-organizations carrying accounts for or doing a principal business with non-members:
   - Net Capital Requirements Under Chapter XXII of the Rules
     - 25,000 to 50,000..... 50,000
     - 50,000 to 75,000..... 75,000
     - 75,000 to 100,000.... 100,000
In addition to the basis brokers blanket bond, the following minimum coverages are required:

1) Misplacement and check forgery --at least the amount of basic bond minimum requirement.

2) Fraudulent trading and security forgery --the greater of $25,000 or 25% of the basic minimum requirements with a maximum of $200,000.**

* * Fraudulent trading coverage not required of individual memberships or partnerships having no employees.

Each member and member-organization required to carry the above forms of insurance shall notify the Exchange in writing if such insurance is entirely or partially cancelled and the reasons therefor.

The provisions of this Chapter shall not apply to a member or member-organization who is subject to requirements of another national securities exchange or the National Association of Securities Dealers.

**Chapter XXIII – Stamp Taxes – Securities and Exchange Commission Fee

SEC. 1.

Failure to Affix Stamps

In order to constitute a good delivery, all deliveries on sales of stock must be accompanied by a sales ticket stamped in accordance with the laws of the Federal government and of such states as may require, providing for a tax on transfers of stock. Any wilful failure on the part of a member, allied-member or member-organization to affix the stamps required by law will be deemed by the Board of Governors an act detrimental to the interest and welfare of the Exchange. It is to be understood, however, that the seller is not to be obliged to pay tax for more than one state.

SEC. 2.

Regulatory Transaction Fee

So long as the Exchange shall be registered as a national securities exchange, there shall be paid to the Exchange by each member or member-organization monthly in such manner and at such time as the Exchange shall direct, a regulatory transaction fee. The monthly regulatory transaction fee shall equal the member’s aggregate dollar amount of covered sales occurring that
month (other than those resulting from options transactions) divided by the Exchange’s aggregate dollar amount of covered sales (other than those resulting from options transactions) occurring that month, multiplied by the Section 31 fees payable by the Exchange to the Commission for that month (other than those resulting from options transactions.

Amended.

May 1, 1975.

April 8, 1981.


SEC. 3. Stamps --Where to Be Purchased

The purchase of stock transfer tax stamps from other than the agencies authorized by law, or the failure to cancel said stamps when used, as provided by law, will be deemed an act detrimental to the interest and welfare of the Exchange.

Amended.

May 11, 1975.

Chapter XXIV – Portfolio Depositary Receipts

Sec. 1. Applicability

This Chapter is applicable only to Portfolio Depositary Receipts. Except to the extent inconsistent with this Chapter, or unless context otherwise requires, the provisions of the Constitution and all other rules and policies of the Exchange shall be applicable to the trading on the Exchange of Portfolio Depositary Receipts. Portfolio Depositary Receipts are included within the definition of “security” or “securities” as such terms are used in the Constitution and Rules of the Exchange.

Adopted.

February 12, 1998.

Amended.

March 24, 2005.

Sec. 2. Definitions

The following terms shall have the meanings specified herein:

(a) The term "Portfolio Depositary Receipt" means a security that (i) is based on a unit investment trust ("Trust") which holds the securities which comprise an index or portfolio underlying a series of Portfolio Depositary Receipts; (ii) is issued by the Trust in a specified aggregate minimum number in return for a "Portfolio Deposit" consisting of specified numbers of shares of stock plus
a cash amount; (iii) when aggregated in the same specified minimum number, may be redeemed from the Trust which will pay to the redeeming holder the stock and cash then comprising the "Portfolio Deposit"; and (iv) pays holders a periodic cash payment corresponding to the regular cash dividends or distributions declared with respect to the component securities of the stock index or portfolio of securities underlying the Portfolio Depositary Receipts, less certain expenses and other charges as set forth in the Trust prospectus.

(b) The term "Reporting Authority," with respect to a particular series of Portfolio Depositary Receipts, means the Exchange, an institution (including the Trustee for a series of Portfolio Depositary Receipts), or a reporting service designated by the Exchange or by the exchange that lists a particular series of Portfolio Depositary Receipts (if the Exchange is trading such series pursuant to unlisted trading privileges) as the official source for calculating and reporting information relating to such series, including, but not limited to, (i) any current index or portfolio value; (ii) the current value of the portfolio of securities required to be deposited to the Trust in connection with the issuance of Portfolio Depositary Receipts; (iii) the amount of any dividend equivalent payment or cash distribution to holders of Portfolio Depositary Receipts; (iv) net asset value; or (v) other information relating to the creation, redemption or trading of Portfolio Depositary Receipts.

Adopted.

February 12, 1998.

Sec. 3.

Disclosure

(a) Members and member organizations shall provide to all purchasers of a series of Portfolio Depositary Receipts a written description of the terms and conditions of such securities, in a form approved by the Exchange, not later than the time a confirmation of the first transaction in such a series is delivered to such purchaser. In addition, members and member organizations shall include such written description with any sales materials relating to a series of Portfolio Depositary Receipts that is provided to customers or the public. Any other written materials provided by a member or member organization to customers or to the public making specific reference to a series of Portfolio Depositary Receipts as an investment vehicle must include a statement in substantially the following form:

"A circular describing the terms and characteristics of the [series of Portfolio Depositary Receipts] is available from your broker. It is recommended that you obtain and review such circular before purchasing the [series of Portfolio Depositary Receipts]. In addition, upon request you may obtain from your broker a prospectus for the [series of Portfolio Depositary Receipts]."

(b) A member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase a series of Portfolio Depositary Receipts for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this rule.

(c) Upon request of a customer, a member or member organization shall also provide a prospectus for the particular series of Portfolio Depositary Receipts.

Adopted.
February 12, 1998.

Sec. 4.  
Designation of an Index or Portfolio

The trading of Portfolio Depositary Receipts based on one or more stock indices or securities portfolios, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. The Portfolio Depositary Receipts based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The stocks that are included in an index or portfolio on which Portfolio Depositary Receipts are based shall be selected by the Exchange or by such other person having a proprietary interest in and authorized use of such index or portfolio, and may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index or portfolio.

Adopted.

February 12, 1998.

Sec. 5.  
Initial and Continued Listing and/or Trading

A Trust upon which a series of Portfolio Depositary Receipts is based will be traded on the Exchange, whether by listing or pursuant to unlisted trading privileges, subject to application of the following criteria:

(a) Commencement of Trading. For each Trust, the Exchange will establish a minimum number of Portfolio Depositary Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(b) Continued Trading. Following the initial twelve month period following formation of a Trust and the commencement of trading on the Exchange, the Exchange will consider the suspension of trading, the removal from listing, or termination of unlisted trading privileges for a Trust upon which a series of Portfolio Depositary Receipts is based under any of the following circumstances:

(i) the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Portfolio Depositary Receipts for 30 or more consecutive trading days;

(ii) the value of the index or portfolio of securities on which the Trust is based is no longer calculated or available; or

(iii) such other event shall occur or condition exist which, in the opinion of the Exchange, makes future dealings on the Exchange inadvisable.

Upon termination of the Trust, the Exchange requires that Portfolio Depositary Receipts issued in connection with such Trust be removed from Exchange listing or have their unlisted trading privileges terminated. A Trust may terminate in accordance with the provisions of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(c) Term. The term of the Trust shall be stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.
(d) Trustee. The trustee must be a trust company or banking institution having substantial capital and surplus, and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed as co-trustee.

(e) Voting. Voting rights shall be as set forth in the Trust prospectus. The Trustee of a Trust may have the right to vote all of the voting securities of such Trust.

Interpretation and Policies: ...

.01 The Exchange will trade, pursuant to unlisted trading privileges, Portfolio Depositary Receipts based on the Standard & Poor's Corporation's S&P 500 Index*, known as SPDRs.

.02 The Exchange will trade, pursuant to unlisted trading privileges, Portfolio Depositary Receipts based on the Standard & Poor's Corporation's S&P MidCap 400 Index*, known as MidCap SPDRs.

.03 The Exchange will trade, pursuant to unlisted trading privileges, Nasdaq-100 Shares based on the Nasdaq Corporation's Nasdaq-100 Index.

.09 The Exchange may approve a series of Portfolio Depositary Receipts for listing pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the following criteria is satisfied:

(a) Eligibility Criteria for Portfolio Components. Upon the initial listing of a series of Portfolio Depositary Receipts each component of a portfolio underlying a series of Portfolio Depositary Receipts shall meet the following criteria as of the date of the initial deposit of securities to the trust in connection with the initial issuance of shares of such trust:

(i) Component stocks that in the aggregate account for at least 90% of the weight of the portfolio shall have a minimum market value of at least $75 million;

(ii) The component stocks shall have a minimum monthly trading volume during each of the last six months of at least 250,000 shares for stocks representing at least 90% of the weight of the portfolio;

(iii) The most heavily weighted component stock cannot exceed 25% of the weight of the portfolio, and the five most heavily weighted component stocks cannot exceed 65% of the weight of the portfolio;

(iv) The underlying portfolio must include a minimum of 13 stocks; and

(v) All securities in an underlying portfolio must be listed on a national securities exchange or The Nasdaq Stock Market (including the Nasdaq SmallCap Market.)

(b) Portfolio Methodology and Calculation. (i) The portfolio underlying a series of Portfolio Depositary Receipts will be calculated based on either the market capitalization, modified market capitalization, price, equal-dollar or modified equal-dollar weighting methodology; (ii) If the
portfolio is maintained by a broker-dealer, the broker-dealer shall erect a "fire wall" around the personnel who have access to information concerning changes and adjustments to the portfolio and the portfolio shall be calculated by a third party who is not a broker-dealer; and (iii) The current portfolio value will be disseminated every 15 seconds over the Consolidated Tape Association's Network B.

(c) Disseminated Information. The Reporting Authority will disseminate for each series of Portfolio Depositary Receipts an estimate, updated every 15 seconds, of the value of a share of each series. This may be based, for example, upon current information regarding the required deposit of securities and cash amount to permit creation of new shares of the series or upon the portfolio value.

(d) Initial Shares Outstanding. A minimum of 100,000 shares of a series of Portfolio Depositary Receipts is required to be outstanding at commencement of trading.

(e) Minimum Price Variation. The approved Minimum Price Variation ("MPV") shall be as defined in Chapter II, Section 41.

(f) Surveillance Procedures. The Exchange will utilize existing surveillance procedures for the Portfolio Depositary Receipts that it trades pursuant to Rule 19b-4(e).

.10 The approved Minimum Price Variation ("MPV") for dealings in SPDRs and MidCap SPDRs shall be as defined in Chapter II, Section 41.

Adopted.

February 12, 1998.


September 8, 2000.


Amended.

August 5, 2002

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Sec. 6.

Limitation on Exchange Liability
Neither the Exchange, the Reporting Authority, nor any agent of the Exchange shall have any liability for damages, claims, losses or expenses caused by any errors, omissions, or delays in calculating or disseminating any current index or portfolio value; the current value of the portfolio of securities required to be deposited with the Trust; the amount of any dividend equivalent payment or cash distribution to holders of Portfolio Depositary Receipts; net asset value; or other information relating to the creation, redemption or trading of Portfolio Depositary Receipts, resulting from any negligent act or omission by the Exchange, or the Reporting Authority, or any agent of the Exchange or any act, condition or cause beyond the reasonable control of the Exchange or its agent, or the Reporting Authority, including, but not limited to, an act of God; fire; flood; extraordinary weather conditions; war; insurrection; riot; strike; accident; action of government; communications or power failure; equipment or software malfunction; or any error, omission or delay in the reports of transactions in one or more underlying securities. The Exchange makes no warranty, express or implied, as to results to be obtained by any person or entity from the use of Portfolio Depositary Receipts or any underlying index or data included therein, and the Exchange makes no express or implied warranties, and disclaims all warranties of merchantability or fitness for a particular purpose with respect to Portfolio Depositary Receipts or any underlying index or data included therein. This limitation of liability shall be in addition to any other limitation contained in the Constitution and Rules of the Exchange.

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Interpretation and Policies: ... 

.01 The minimum equity requirement for the trading of Portfolio Depositary Receipts by specialists and competing specialists shall be $200,000. The Early Warning Alert provisions set forth in Chapter XXII, Sections 2(f)(ii) and (iii) and the caretaker provision set forth in Chapter XXII, Section 2(f)(iv) shall apply.

.02 Portfolio Depositary Receipts will not be eligible for alternate account trading.

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Adopted. 
February 12, 1998.

Amended.

Sec. 7. 
Nasdaq-100 Index

The Nasdaq Stock Market, Inc. ("Nasdaq") has licensed the use of the Nasdaq-100 Index for certain purposes in connection with trading in a particular series of Portfolio Depositary Receipts on the Exchange. Nasdaq and its affiliates do not guarantee the accuracy and/or completeness of the Nasdaq-100 Index or any data included therein. Nasdaq, its affiliates, and the Exchange make no warranty, express or implied, as to results to be obtained by any person or entity from the use of the Nasdaq-100 Index or any data included therein in connection with the rights licensed or for any other use. Nasdaq, its affiliates, and the Exchange make no express or
implied warranties, and disclaim all warranties of merchantability or fitness for a particular purpose with respect to the Nasdaq-100 or any data included therein. Without limiting any of the foregoing, in no event shall Nasdaq, its affiliates, and the Exchange have any liability for any lost profits or special punitive, incidental, indirect or consequential damages, even if notified of the possibility of such damages. In addition, Nasdaq, its affiliates, and the Exchange shall have no liability for any damages, claims, losses or expenses caused by any errors or delays in calculating or disseminating the Nasdaq-100 Index.

Adopted.


Chapter XXIV-A – Trust Issued Receipts

Sec. 1. Applicability

(a) This Chapter is applicable only to Trust Issued Receipts. Except to the extent inconsistent with this Chapter, or unless the context otherwise requires, the provisions of the Constitution and all other rules and policies of the Exchange shall be applicable to the trading on the Exchange of Trust Issued Receipts. Trust Issued Receipts are included within the definition of "security" or "securities" as such terms are used in the Constitution and Rules of the Exchange.

Sec. 2. Definitions

The following terms shall have the meanings specified herein:

(a) The term "Trust Issued Receipt" means a security (i) that is issued by a trust ("Trust") which holds specified securities deposited with the Trust; (ii) that, when aggregated in some specified minimum number, may be surrendered to the trust by the beneficial owner to receive the securities; and (iii) that pays beneficial owners dividends and other distributions on the deposited securities, if any are declared and paid to the trustee by an issuer of the deposited securities.

Sec. 3. Disclosure

(a) The Exchange requires that members and member organizations provide to all purchasers of newly issued Trust Issued Receipts a prospectus for the series of Trust Issued Receipts.

(b) Transactions in Trust Issued Receipts may be effected until 4:00 p.m. each business day.

Sec. 4. Designation

The trading of Trust Issued Receipts based on one or more securities, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. The Trust Issued Receipts based on particular securities shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Trust Issued Receipts shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the
Sec. 5.

Initial and Continued Listing and/or Trading

Trust Issued Receipts will be traded on the Exchange, whether by listing or pursuant to unlisted trading privileges, subject to application of the following criteria:

(a) Commencement of Trading. For each Trust, the Exchange will establish a minimum number of Trust Issued Receipts required to be outstanding at the time of commencement of trading on the Exchange.

(b) Continued Trading. Following the initial twelve month period following formation of a Trust and commencement of trading on the Exchange, the Exchange will consider the suspension of trading, the removal from listing, or termination of unlisted trading privileges for a Trust upon which a series of Trust Issued Receipts is based under any of the following circumstances:

(i) if the Trust has more than 60 days remaining until termination and there are fewer than 50 record and/or beneficial holders of Trust Issued Receipts for 30 or more consecutive trading days;

(ii) if the Trust has fewer than 50,000 receipts issued and outstanding;

(iii) if the market value of all receipts issued and outstanding is less than $1,000,000; or

(iv) if such other event shall occur or condition exists in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of a Trust, the Exchange requires that Trust Issued Receipts issued in connection with such Trust be removed from Exchange listing or have their unlisted trading privileges terminated. A Trust may terminate in accordance with the provision of the Trust prospectus, which may provide for termination if the value of securities in the Trust falls below a specified amount.

(c) Term. The stated term of the Trust shall be as stated in the Trust prospectus. However, a Trust may be terminated under such earlier circumstances as may be specified in the Trust prospectus.

(d) Trustee. The trustee must be a trust company or banking institution having substantial capital and surplus, and the experience and facilities for handling corporate trust business. In cases where, for any reason, an individual has been appointed as trustee, a qualified trust company or banking institution must be appointed as co-trustee.

(e) Voting. Voting rights shall be as set forth in the Trust prospectus.

● ● ● Interpretation and Policies: ...

.01 The Exchange will trade, pursuant to unlisted trading privileges, Trust Issued Receipts based on the Internet HOLDRs Trust, known as Internet HOLDRs.

.02 The Exchange may approve a series of Trust Issued Receipts for listing pursuant to Rule 19b-4(e) under the Securities Exchange Act of 1934 provided each of the component securities
satisfies the following criteria:

(a) Eligibility Criteria for Component Securities Represented by a Series of Trust Issued Receipts:

(i) Each Component Security of the Trust Issued Receipt must be registered under Section 12 of the Exchange Act;

(ii) Each Component Security of the Trust Issued Receipt must have a minimum public float of at least $150 million;

(iii) Each Component Security of the Trust Issued Receipt must be listed on a national securities exchange or traded through the facilities of Nasdaq and a reported national market system security;

(iv) Each Component Security of the Trust Issued Receipt must have an average daily trading volume of at least 100,000 shares during the preceding sixty-day trading period;

(v) Each Component Security of the Trust Issued Receipt must have an average daily dollar value of shares traded during the preceding sixty-day trading period of at least $1 million; and

(vi) The most heavily weighted Component Security in the Trust Issued Receipt cannot initially represent more than 20% of the overall value of the Trust Issued Receipt.

.03 The eligibility requirements for the Component Securities that are represented by a series of Trust Issued Receipts and that became part of the Trust Issued Receipt when the security was either: (a) distributed by a company already included as a Component Security in the series of Trust Issued Receipts; or (b) received in exchange for the securities of a company previously included as a Component Security that is no longer outstanding due to a merger, consolidation, corporate combination or other event, shall be as follows:

(a) the Component Security must be listed on a national securities exchange or traded through the facilities of NASDAQ and a reported national market system security;

(b) the Component Security must be registered under Section 12 of the Exchange Act; and

(c) the Component Security must have a Standard & Poor's Sector Classification that is the same as the Standard & Poor's Sector Classification represented by the Component Securities included in the Trust Issued Receipt at the time of the distribution or exchange.

Adopted.


Amended.


Chapter XXIV-B – Index Fund Shares

SEC. 1. Applicability
(a) This Chapter is applicable only to Index Fund Shares. Except to the extent inconsistent with this Chapter, or unless the context otherwise requires, the provisions of the Constitution and all other rules and policies of the Exchange shall be applicable to the trading on the Exchange of Index Fund Shares. Index Fund Shares are included within the definition of "security" or "securities" as such terms are used in the Constitution and Rules of the Exchange.

SEC. 2.

Definitions

The following terms shall have the meanings specified herein:

(a) The term "Index Fund Share" means a security (i) that is issued by an open-end management investment company based on a portfolio of stocks that seeks to provide investment results that correspond generally to the price and yield performance of a specified foreign or domestic stock index; (ii) that is issued by such an open-end management investment company in a specified aggregate minimum number in return for a deposit of specified numbers of shares of stock and/or a cash amount with a value equal to the next determined net asset value; and (iii) that when aggregated in the same specified minimum number, may be redeemed at a holder's request by such open-end investment company which will pay to the redeeming holder the stock and/or cash with a value equal to the next determined net asset value.

(b) The term "Reporting Authority" with respect to a particular series of Index Fund Shares means the Exchange, or an institution or reporting service designated by the Exchange, as the official source for calculating and reporting information relating to such series, including, but not limited to, any current index or portfolio value; the current value of the portfolio of any securities required to be deposited in connection with issuance of Index Fund Shares; the amount of any dividend equivalent payment or cash distribution to holders of Index Fund Shares, net asset value, or other information relating to the issuance, redemption or trading of Index Fund Shares. Nothing in this section shall imply that an institution or reporting service that is the source for calculating and reporting information relating to Index Fund Shares must be designated by the Exchange, the term "Reporting Authority" shall not refer to an institution or reporting service not so designated.

SEC. 3.

Disclosure

The Exchange requires that members and member organizations provide to all purchasers of newly issued Index Fund Shares a prospectus for the series of Index Fund Shares.

SEC. 4.

Designation

The trading of Index Fund Shares based on one or more securities, whether by listing or pursuant to unlisted trading privileges, shall be considered on a case-by-case basis. Each issue of Index Fund Shares shall be based on each particular stock index or portfolio shall be designated as a separate series and shall be identified by a unique symbol. The securities that are included in a series of Index Fund Shares shall be selected by the Exchange or its agent, a wholly-owned subsidiary of the Exchange, or by such other person, as shall have authorized use of such index. Such index may be revised from time to time as may be deemed necessary or appropriate to maintain the quality and character of the index.
Initial and Continued Listing and/or Trading

Each series of Index Fund Shares will be traded on the Exchange, whether by listing or pursuant to unlisted trading privileges, subject to application of the following criteria:

(a) Commencement of Trading. For each Series, the Exchange will establish a minimum number of Index Fund Shares required to be outstanding at the time of commencement of trading on the Exchange.

(b) Continued Trading. Following the initial twelve month period following commencement of trading on the Exchange of a series of Index Fund Shares, the Exchange will consider the suspension of trading, the removal from listing, or termination of unlisted trading privileges for such series under any of the following circumstances:

(i) If there are fewer than 50 beneficial holders of the series of Index Fund Shares for 30 or more consecutive trading days;

(ii) If the value of the index or portfolio of securities on which the series of Index Fund Shares is based is no longer calculated or available; or

(iii) If such other event shall occur or condition exists which in the opinion of the Exchange, makes further dealings on the Exchange inadvisable.

Upon termination of an open-end management investment company, the Exchange requires that Index Fund Shares issued in connection with such entity be removed from Exchange Listing.

(c) Voting. Voting rights shall be as set forth in the applicable open-end management investment company prospectus.

●●● Interpretation and Policies: ...
(v) All securities in an underlying index or portfolio must be listed on a national securities
exchange or The Nasdaq Stock Market (including the Nasdaq SmallCap Market.)

(b) Index Methodology and Calculation. (i) The index underlying a series of Index Fund Shares
will be calculated based on either the market capitalization, modified market capitalization, price,
equal-dollar or modified equal-dollar weighting methodology; (ii) If the index is maintained by a
broker-dealer, the broker-dealer shall erect a “fire wall” around the personnel who have access to
information concerning changes and adjustments to the index and the index shall be calculated
by a third party who is not a broker-dealer; and (iii) The current index value will be disseminated
every 15 seconds over the Consolidated Tape Association’s Network B.

(c) Disseminated Information. The Reporting Authority will disseminate for each series of Index
Fund Shares an estimate, updated every 15 seconds, of the value of a share of each series. This
may be based, for example, upon current information regarding the required deposit of securities
and cash amount to permit creation of new shares of the series or upon the index value.

(d) Initial Shares Outstanding. A minimum of 100,000 shares of a series of Index Fund Shares is
required to be outstanding at commencement of trading.

(e) Approved Minimum Price Variation (“MPV”). The approved MPV shall be as defined in
Chapter II, Section 41.

(f) Hours of Trading. Trading will occur between 9:30 a.m. and either 4:00 p.m. or 4:15 p.m. for
each series of Index Fund Shares, as specified by the Exchange.

(g) Surveillance Procedures. The Exchange will utilize existing surveillance procedures for Index
Fund Shares.

(h) Applicability of Other Rules. The provisions of Chapter XXIV-B et seq. will apply to all series of
Index Fund Shares.

.02 The following paragraphs only apply to series of Index Fund Shares that are the subject of an
order by the Securities and Exchange Commission exempting such series from certain
prospectus delivery requirements under Section 24(d) of the Investment Company Act of 1940.
The Exchange will inform members and member organizations regarding application of these
provisions to a particular series of Index Fund Shares by means of an Information Circular prior to
commencement of trading in such series.

The Exchange requires that members organizations provide to all purchasers of a series of Index
Fund Shares a written description of the terms and characteristics of such securities, in a form
prepared by the open-end management investment company issuing such securities, not later
than the time a confirmation of the first transaction in such series is delivered to such purchaser.
In addition, members and member organizations shall include such a written description with any
sales material relating to a series of Index Fund Shares that is provided to customers or the
public. Any other written materials provided by a member or member organization to customers
or the public making specific reference to a series of Index Fund Shares as an investment vehicle
must include a statement in substantially the following form: "A circular describing the terms and
characteristics of [the series of Index Fund Shares] has been prepared by the [open-end
management investment company name] and is available from your broker or the Exchange. It is
recommended that you obtain and review such circular before purchasing [the series of Index
Fund Shares]. In addition, upon request you may obtain from your broker a prospectus for [the
series of Index Fund Shares]."

A member or member organization carrying an omnibus account for a non-member broker-dealer
is required to inform such non-member that execution of an order to purchase a series of Index
Fund Shares for such omnibus account will be deemed to constitute agreement by the non-
member to make such written description available to its customers on the same terms as are directly applicable to members and member organizations under this rule.

Upon request of a customer, a member or member organization shall also provide a prospectus for the particular series of Index Fund Shares.

.03 The Exchange will trade, pursuant to unlisted trading privileges, Index Fund Shares of Select SPDR Funds, which are known as "Select Sector SPDRs."

.04 The Exchange will trade, pursuant to unlisted trading privileges, Index Fund Shares based on Morgan Stanley Capital International (MSCI) Index Funds, which are known as "iShares MSCI."

.05 The approved Minimum Price Variation ("MPV") shall be as defined in Chapter II, Section 41.

Adopted.


Amended.

September 8, 2000.

August 5, 2002

Chapter XXIV – C Equity Gold Shares

Sec. 1  Equity Gold Shares

(a) The provisions of this Chapter apply only to Equity Gold Shares, which represent units of fractional undivided beneficial interest in and ownership of the Equity Gold Trust.SM

(b) No BSE member approved as an equity specialist, his member organization, other member, allied member or approved person in such member organization or officer or employee thereof is permitted to act as a market maker or function in any capacity involving market-making responsibilities in physical gold, gold futures or options on gold futures, or any other gold derivatives. However, an approved person of an equity specialist that has established and obtained Exchange approval of procedures restricting the flow of material, non-public market information between itself and the specialist member organization pursuant to Chapter II, Section 36 and any member, officer, or employee associated therewith, may act in a market making capacity, other than as a specialist in the Equity Gold Shares on another market center, in physical gold, gold futures or options on gold futures, or any other gold derivatives.

(c) Except to the extent that specific provisions in this Rule govern, or unless the context otherwise requires, the provisions of the Constitution, all other Exchange Rules and policies shall be applicable to the trading of Equity Gold Shares on the Exchange. Equity Gold Shares are included within the definition of “security” or “securities” as those terms are used in the Constitution and Rules of the Exchange.

Section 2.  Equity Gold Shares: Securities Accounts and Orders of Specialists

(a) The member organization acting as specialist in Equity Gold Shares is obligated to conduct all trading in the Shares in its specialist account, subject only to the ability to
have one or more investment accounts, all of which must be reported to the Exchange. In addition, the member organization acting as specialist in Equity Gold Shares must file with the Exchange in a manner prescribed by the Exchange and keep current a list identifying all accounts for trading physical gold, gold futures or options on gold futures, or any other gold derivatives, which the member organization acting as specialist may have or over which it may exercise investment discretion. No member organization acting as specialist in Equity Gold Shares shall trade in physical gold, gold futures or options on gold futures, or any other gold derivatives, in an account in which a member organization acting as specialist, directly or indirectly, controls trading activities, or has a direct interest in the profits or losses thereof, which has not been reported to the Exchange as required hereby.

(b) In addition to the existing obligations under Exchange rules regarding the production of books and records, the member organization acting as specialist in Equity Gold Shares shall make available to the Exchange such books, records or other information pertaining to transactions by such entity or any member, allied member, approved person, registered or non-registered employee affiliated with such entity for its or their own accounts in physical gold, gold futures or options on gold futures, or any other gold derivatives, as may be requested by the Exchange.

(c) In connection with trading physical gold, gold futures or options on gold futures or any other gold derivative (including Equity Gold Shares), the specialist registered as such in Equity Gold Shares shall not use any material nonpublic information received from any person associated with a member or employee of such person regarding trading by such person or employee in physical gold, gold futures or options on gold futures, or any other gold derivatives.

Adopted.

March 28, 2005.

Chapter XXV – Registration of Member Corporations

Registration of Member-Corporations

SEC. 1. A member of the Exchange may register a corporation as a member-corporation of the Exchange, upon application by the member and the corporation, subject to the following terms and conditions:

Corporate purpose

(a) Said member-corporation shall be a corporation, the principal corporate purpose of which is the transaction of business as a broker or dealer in securities, organized under the laws of Massachusetts, or the laws of any other state approved by the Exchange.

Documents to be filed with Exchange --Authority of officers

(b) The articles of incorporation and by-laws of said member-corporation, and all amendments thereto, shall be filed with the Exchange and shall be subject to the approval of the Exchange. There shall also be filed with the Exchange evidence satisfactory to the Exchange that the officers of the corporation are duly authorized to act for it in entering into contracts subject to the Rules of the Exchange.

Member's interest --Approval of officers, directors, and stockholders

(c) A member of the Exchange shall at all times be an officer and hold voting stock of said corporation; and all officers, directors and stockholders, of whatever class or classes of stock, of
said corporation at all times shall be subject to the approval of the Exchange.

**Bank ownership prohibited**

(d) No stock or other interest in said member-corporation shall be owned directly or indirectly by any bank (as defined in the Securities Exchange Act of 1934), nor by an officer or employee of any such bank, except as may be permitted by the Exchange in specific cases.

**Officer and director ownership**

(e) At least 80% of the outstanding common and voting stock of said member-corporation shall be owned, and at least 60% of the total capital represented by all classes of stock shall have been contributed, by the officers and/or directors thereof; provided, however, that the Exchange, for cause shown, may waive this requirement in specific cases.

**Restriction of interest**

(f) No officer, director or stockholder of said member-corporation shall be an officer, director or stockholder of another member-corporation, or a general or special partner of a member-firm.

**Transfer of holdings**

(g) No holder of common or voting stock in said member-corporation shall sell, assign, transfer or pledge or hypothecate his holdings of common or voting stock in said corporation, except to the corporation or to other holders of such stock, without the prior approval in writing of the Exchange.

**Member not to act for own account**

(h) Except with the written permission of the Exchange no member who is a holder of voting stock of a member-corporation shall be permitted to make contracts on the Exchange for his own account, as distinguished from contracts for the account of the member-corporation or its customers.

**Claims against membership**

(i) The proceeds of sale of the membership of the member who is a holder of voting stock of a member-corporation shall be subject to claims arising from contracts subject to the Rules of the Exchange made by said corporation.

**Financial questionnaire – Capital**

(j) The financial questionnaire to be answered and capital to be employed by said member-corporation shall be under the direct supervision of the Exchange, as provided in Chapter XXII of the Rules.

**Liability for acts of others**

(k) A member of the Exchange who is a holder of voting stock of a member-corporation shall be liable to the same discipline and penalties for any act or omission of said corporation, or any officer, director or employee thereof, as if the same were committed by him personally; but the Board of Governors may, in its discretion, by a vote of not less than two-thirds of its members, relieve him from the penalty therefor.

**Corporate interests of members**
(l) A member of the Exchange shall not be an officer or director of, or own or control, directly or indirectly, a substantial interest in, a corporation engaged in the securities business which is not a member-corporation of the Exchange except with the permission of the Exchange.

Penalty for violation

(m) Upon any violation of the foregoing terms and conditions, or if at any time the requirements thereof are not met, the registration of said member-corporation may be terminated by a majority vote of the Board of Governors.

Termination of Registration by Corporation

(n) The registration of a member-corporation of the Exchange may be terminated upon application by the corporation filed with the Exchange, such termination to be effective at the expiration of thirty days from the date of filing of the application or such earlier date as may be permitted by the Exchange.

Designation of Electronic Mail Addresses

(o) Every member and member organization shall designate one or more electronic mail addresses for the purpose of receiving Exchange notices and communications and shall promptly update those electronic mail addresses when those addresses changes or are no longer valid. An authorized representative of the Exchange may elect to transmit notices or other communications to members and member organizations electronically; provided, however, that nothing in this rule shall be construed to supersede or modify either the method for service of process or other materials in any disciplinary proceeding or any other provisions of Exchange rules setting out a specific method for the receipt of information from the Exchange.

Amended.


Amended.

Chapter XXVI – Proxies

SEC. 1. Restrictions

No member or member-organization shall give a proxy to vote stock registered in his or its name, except as required or permitted under the provisions of Section 3 of this Chapter, unless such member or member-organization is the beneficial owner of such stock.

SEC. 2.
Transmission of Proxy Soliciting Material --Request for Voting Instructions; Proxy at Discretion by Owner of Record
Whenever a person soliciting proxies shall furnish a member or member-organization:

(1) copies of all soliciting material which such person is sending to registered holders, and

(2) satisfactory assurance that he will reimburse such member or member-organization for all out-of-pocket expenses, including reasonable clerical expenses, if any, incurred by such member or member-organization in obtaining instructions from the beneficial owners of the stock,

such member or member-organization shall transmit to each beneficial owner of stock which is in his or its possession or control the material furnished together with a request for voting instructions and, as to matters which may be voted without instructions under Section 3(c) of this Chapter, a statement to the effect that, if such instructions are not received by the tenth day before the meeting, the proxy may be given at discretion by the owner of record of the stock; provided, however, when the proxy soliciting material is transmitted to the beneficial owner of the stock twenty-five days or more before the meeting, the statement accompanying such material shall be to the effect that the proxy may be given fifteen days before the meeting at the discretion of the owner of record of the stock. This Section shall not apply to beneficial owners outside the United States.

SEC. 3.

Direction of the Beneficial Owner

(a) A member or member-organization shall give a proxy for stock registered in his or its name, at the direction of the beneficial owner. If the stock is not in the control or possession of the member or member-organization, satisfactory proof of the beneficial ownership as of the record date may be required.

Member or member-organization as fiduciary

(b) A member or member-organization may give a proxy to vote any stock registered in his or its name without transmitting any material to the beneficial owner, if any, thereof if the member or member-organization holds such stock as executor, administrator, guardian, trustee, or in a similar representative or fiduciary capacity with authority to vote.

Voting procedure without instructions

(c) A member or member-organization which has transmitted proxy soliciting material to the beneficial owner of stock and solicited voting instructions in accordance with the provisions of Section 2, and who or which has not received instructions from the beneficial owner by the date specified in the statement accompanying such material, may give a proxy to vote such stock, provided the person signing the proxy has no knowledge of any contest as to the action to be taken at the meeting and provided such action does not include authorization for a merger, consolidation or any other matter which may affect substantially the legal rights or privileges of such stock.

Instructions on stock in name of other member-organizations

(d) A member or member-organization which has in its possession or control stock registered in the name of another member or member-organization, and which has solicited voting instructions in accordance with the provisions of Section 2 shall

(1) forward to such other member or member-organization any voting instructions received from the beneficial owner, or

(2) if the proxy soliciting material has been transmitted to the beneficial owner of the stock in
accordance with Section 2 and no instructions have been received by the date specified in the statement accompanying such material, notify such other member or member-organization of such fact in order that such member or member-organization may give the proxy as provided in subdivision (c) of this Section.

Proxy Voting on Equity Compensation Plans

(e) A member organization may not give a proxy to vote without instructions from beneficial owners when the matter to be voted upon authorizes the implementation of any equity compensation plan, or any material revision to the terms of any existing equity compensation plan (whether or not stockholder approval of such plan is required by Chapter XXVII, Listed Securities, Equity Compensation Plans, of these Rules).

Amended.

SEC. 4.

Proxy to Show Number of Shares

In all cases in which a proxy is given by a member or member-organization the proxy shall state the actual number of shares of stock for which the proxy is given.

SEC. 5.

Transfer to Facilitate Solicitation

A member or member-organization, when so requested by the Exchange, shall transfer certificates of a listed stock held either for his or its own account or for the account of others, if registered in the name of a previous holder of record, into his or its own name, prior to the taking of a record of stockholders, to facilitate the convenient solicitation of proxies.

The Exchange will make such request at the instance of the issuer or of persons owning in the aggregate at least ten per cent of such stock, provided, if the Exchange so requires, the issuer or persons making such request agree to indemnify members or member-organizations against transfer taxes, and the Exchange may make such a request whenever it deems it advisable.

SEC. 6.

Applicability

The provisions of this Chapter shall apply also to any nominees of members or member-organizations. They shall apply also to voting in person.

Chapter XXVII – Listed Securities – Requirements

SEC. 1. Listed Securities – Requirements

SEC. 1. The Boston Stock Exchange shall receive and consider all applications for the listing of securities. Applications shall be in such form as prescribed by the Exchange.

Prospective applicants for listing are invited to take advantage of the Exchange's confidential review process to learn whether or not the company meets the mandatory eligibility requirements for listing and what additional conditions, if any, might first have to be satisfied. This preview is
intended only as a service to the applicant and implies no guarantee to the applicant that its application will subsequently be approved. Approval or disapproval is exclusively within the purview of the Stock List Committee subject to the oversight of the Board of Governors of the Boston Stock Exchange.

While it is generally expected that an applicant company will have been in continuous operations for sufficient time for the Exchange to adequately measure its suitability for listing, the Exchange will consider the suitability of new enterprises. The Boston Stock Exchange believes it is necessary to encourage the formation and growth of the private capital essential to finance the expansion of the U.S. economy. New enterprises generally focus on long term growth rather than current earnings. They are frequently compelled to devote their resources to research and development in their developmental stage and for a while may be unable to establish a positive earnings record. Additionally, a company should be able to demonstrate a demand for its products or services through an established revenue stream. With respect to such companies, the Exchange must be satisfied that the products and services being offered are likely to benefit the public and are not purely promotional ventures.

The Exchange does not rate or guarantee the quality of any security dealt in on the Exchange beyond the fact that it meets the Exchange’s minimum criteria for listing. In making a determination concerning listing or delisting, the Exchange acts upon information furnished by the issuer which must verify the information by providing at least independently audited financial statements and other disclosure documents.

The following are mandatory listing requirements for common stock:

A. The company must have at least $3,000,000 in total assets of which $2,000,000 are tangible assets, i.e., total assets less any intangible assets. Intangible assets shall include, but shall not be limited to, goodwill, patents, licenses, trademarks and other assets as the Exchange shall deem intangible.

B. The company shall have outstanding a public float of 750,000 shares or more, exclusive of shares held by directors, officers or other concentrated holdings of 5% or more, and the aggregate value of the public float at the time of listing shall be at least $1,500,000.

C. The company must have a minimum of 600 beneficial stockholders exclusive of the holdings of directors, officers or other concentrated holdings of 5% or more. With respect to a company which seeks to list following an initial public offering, the Exchange must receive assurances from the company or its representatives that the minimum stockholder requirement be met following the distribution of the shares. If not met within six months of listing, the Exchange shall take action to suspend dealings until the stockholder requirement is met. Should the company fail to meet the requirement within 30 days of suspension, the Exchange shall file an application for delisting. A beneficial holder is defined as the ultimate owner of the stock even though the stock may be kept in street name.

D. The company must have a minimum bid price of $2.00 per share at the time of listing in the case of an initial public offering. In the case of a company not involved in an initial public offering, a bid price of $2.00 must be maintained for 45 days prior to listing.

E. The company must have either net income of $100,000 in two of the past three years, or the company must have net tangible assets in the amount of $2,000,000. Net tangible assets are defined as stockholders’ equity less any intangible assets as described above in A.

F. The company must have a minimum of $1,000,000 in stockholders’ equity.

G. The company must maintain stock transfer facilities with a transfer agent registered pursuant to the Securities Exchange Act of 1934 as amended.
Other factors that the Exchange may take into consideration include the business reputation and prior experience of the management of the company; its relationship, if any, to other publicly traded companies; the company's asset base; and the company's working capital. Thus, notwithstanding the prospective issuer meeting the mandatory requirements enumerated in this rule, the Stock List Committee may determine that an applicant does not qualify for listing.

To list other issues of securities on the Exchange, a company must satisfy certain requirements described below and in the instance where a company's common stock is not listed on the Exchange, that company would have to meet the original listing requirements set forth above for common stock. The definitions of public float and beneficial holders stated above are applicable to listing additional issues as well as meeting the maintenance requirements set forth below.

**Warrants**
- The company shall have outstanding a public float of 250,000 or more warrants
- 250 beneficial holders

**Preferred Stock**
- The company shall have outstanding a public float of either 250,000 or more shares, or valued at $1,000,000 or more
- 250 beneficial holders

**Bonds**
- Minimum of $5,000,000 principal amount
- 200 beneficial holders

Furthermore, the applicant shall agree:

1. To notify the Exchange promptly of any change in the general character or nature of its business.

2. To notify the Exchange immediately if it or any subsidiary or controlled company should dispose of any property or of any stock interest in any of its subsidiary or controlled companies when such disposal would impair or materially affect its financial position or the nature or extent of its operations as heretofore conducted.

3. Not to change its accounting policies materially from those existing at the time of listing without giving prior notice thereof to the Exchange.

4. To mail with or prior to the notice of the annual meeting to the holders of record of its securities listed on the Exchange and to the Exchange a report containing a balance sheet, income statement and analysis of surplus account covering the period from the date of the financial statements last published, consolidated in the case of a parent or holding company, or a balance sheet, income statement and analysis of surplus account of the parent or holding company and of each constituent, subsidiary, owned or controlled company. Such financial statements shall show clearly the existence of any default in interest or dividends or redemption or sinking fund requirements of the parent or holding company or of any constituent, subsidiary owned or controlled company. Such statement shall truly disclose the operations and condition of the company and shall be certified by duly qualified, independent public accountants whose certificate in form satisfactory to the Exchange shall be part of the report.
5. Not to make any change in the form or nature of its listed securities, or in the rights or privileges of the holders thereof, without having given ten (10) days prior notice to the Exchange of such proposed changes nor, if the Exchange so requires, without making application for listing of the securities as changed.

6. To notify the Exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or be allotted its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of the securities an interim, satisfactory to the Exchange within which to record their interest and to exercise their rights, and to issue all such rights in form approved by the Exchange.

7. To notify the Exchange promptly of the issuance of any options or warrants to purchase stock or other securities, otherwise than pro rata to stockholders, stating the terms of such options or warrants and the number of shares covered thereby, and to notify the Exchange of any subsequent change in said options or warrants. Also to notify the Exchange of the creation or formation of any reorganization or protective committee or any plan for the deposit of any stock or other securities which will affect the marketability, sale, transfer or voting rights of any securities so deposited and to notify the Exchange of the termination thereof.

8. Not itself, and not to permit any subsidiary, directly or indirectly controlled, to take up as income cash dividends received at an amount greater than that charged against earnings, earned surplus, or both of them by issuing company in relation thereto.

9. To notify the Exchange of any proposed increase in the outstanding amount of stock, bonds or other securities of the class previously listed and to make application for the listing of said additional amounts of listed securities, sufficiently prior to the issuance thereof to permit action in due course upon such application; and to notify the Exchange of the proposed issuance of any securities on a parity with or senior to any listed securities.

10. To publish promptly to holders of stock listed any action in respect to dividends on shares, or allotments or rights for subscription to securities, notice thereof to be sent to the Exchange, and to give the Exchange at least ten (10) days notice in advance of the closing of the transfer books or extensions, or of the taking of a record of holders for any purpose, stating the purpose thereof; also to publish promptly to holders of bonds listed any action or default in respect to interest on bonds, redemption of bonds and other similar matters, notice thereof also to be sent to the Exchange a reasonable time in advance.

11. To forward to the Exchange a copy of all notices and reports sent to holders of its securities.

12. To file with the Exchange a certified copy of any amendment to the charter or by-laws of the company together with a satisfactory opinion of counsel respecting the legality of said amendment.

13. To solicit proxies for all meetings of stockholders.

14. If the company issues securities which are subject to an investment restriction, to affix a legend relating to the restriction on the face of the certificates for such securities substantially as follows:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

15. To conform to the Exchange's policy on Informing the Public. (This policy appears as a supplement to this Chapter XXVIII.)
In connection with this rule, the Exchange has adopted certain quantitative and qualitative continued listing criteria. When a company falls below any criterion, the Exchange will notify the company and will review the appropriateness of continued listing. The Exchange may give consideration to any definitive action that a company would propose to take that would bring the criterion in question in line with the requisite maintenance provision.

Companies that are listed on the Exchange prior to the effective date of this rule shall be grandfathered in and shall have one year in which to come into compliance with the new maintenance requirements if they are deficient. If at the end of such period the company is not in compliance, it shall be delisted from the Exchange.

Issues will be considered for delisting if they drop below any of the following minimums:

**Common Stock**

a) $1,000,000 in total assets  
b) A public float of 150,000 shares  
c) 250 beneficial public stockholders  
d) Market value of float must be at least $500,000  
e) Stockholders' equity of $500,000

**Preferred Stock**

a) A public float of 100,000 shares  
b) 100 beneficial holders

**Bonds**

a) $250,000 principal amount outstanding  
b) 100 beneficial holders

**Sec.2**

**Voluntary Withdrawal from Listing**

An issuer proposing to withdraw a security from listing shall provide to the Exchange a certified copy of a resolution of the board of directors of the issuer authorizing withdrawal from listing. Once the copy is provided to the Exchange, the issuer must comply with Exchange Act Rule 12d2-2(c). Specifically, the issuer must: 1) comply with all applicable laws in effect in the state in which the issuer is incorporated; 2) provide written notice, which describes the security involved and all material facts relating to the reasons for withdrawal, to the Exchange no fewer than 10 days before the issuer files an application on Form 25 with the Securities and Exchange Commission; 3) publish notice, contemporaneous with providing written notice to the Exchange, through a press release, and if it has a publicly accessible website by posting such notice on that website, which shall remain available until the delisting on Form 25 becomes effective. Upon receipt of such notice from the issuer, the Exchange, as required by Rule 12d2-2(c)(3), shall post notice of the issuer's intent on the Exchange website the next business day, and it shall maintain such posting until the delisting on Form 25 takes effect. The issuer must contemporaneously file a copy of Form 25 with the Exchange upon the submission of such form to the Securities and
Exchange Commission. Once complete, the securities shall be removed from listing on the Exchange on the effective date established by Exchange Act Rule 12d2-2(d).

(b) Involuntary Withdrawal From Listing

Effective April 24, 2006, pursuant to Securities and Exchange Act Rule 12d2-2 for delisting and registration,1 where the Exchange is initiating the delisting from registration, for instances not provided in Rule 12d2-2(a), the Exchange may file an application to strike a class of securities from listing of such securities, where and issuer has fallen below the Exchange’s continued listing policies and standards. (See Sec. 1) In such instances the Exchange shall:

1. Provide notice to the issuer of its decision to delist its securities;
2. Provide an opportunity to appeal to the Stock List Committee as follows:

Appeal Procedure

A. A request to appeal the Exchange’s decision to withdraw from listing shall be filed no later than five (5) business days following issuer’s receipt of the decision2. The request must include three thousand dollar ($3,000) appeal fee. If the issuer does not request an appeal as specified, the Exchange shall submit to the Securities and Exchange Commission an application on Form 25 to strike the security from listing. A copy of Form 25 shall be provided to the issuer in accordance with Rule 12d2-2.

B. If a request to appeal is received by the Exchange, the issuer will be entitled to present an appeal before the Stock List Committee. The issuer must submit to the Exchange any documents or other written materials the issuer wishes to be considered within fifteen (15) calendar days of the filing of the notice to appeal. No hearing shall be held without giving five (5) business days notice to the issuer of the time and place for the hearing.

C. The decision of the Stock List Committee shall be final and be issued within fifteen (15) business days of the hearing or final request for documentation/information. A written decision shall be served upon the issuer; and

3. If the decision is that the security is to be withdrawn from listing then, in accordance with Rule 12d2-2, no fewer than ten (10) days before such action becomes effective, an application on Form 25 shall be filed with the Securities and Exchange Commission. A copy of Form 25 shall be provided to the issuer. In accordance with Rule 12d2-2(b)(1)(iii), public notice of the final determination to remove the security from listing shall be made by the Exchange by issuing a press release and posting notice on the Exchange Web site no fewer than ten days before the delisting become effective. This public notice will remain posted on the Web site until the delisting is effective.

Commentary

An issuer seeking to voluntarily apply to withdraw a class of securities from listing on the Exchange that has received notice from the Exchange that it is below the Exchange’s continued listing policies and standards, or that is aware that it is below such continued listing policies and standards notwithstanding that it has not received such notice from the Exchange, must disclose

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1 The effective date of Exchange Act Release No. 34-52029 (July 14, 2005), 70 FR 42456 (July 22, 2005) amending Rule 12d2-2 is August 22, 2005. The compliance date is April 24, 2006. The BSE is incorporating the same compliance date into its rules.
2 At such time, the Exchange may take action to suspend dealings.
that it is no longer eligible for continued listing (including the specific continued listing policies and standards that the issue is below) in: (i) its statement of all material facts relating to the reasons for withdrawal from listing provided to the Exchange along with written notice of its determination to withdraw from listing required by Rule 12d2-2(c)(2)(ii) under the Exchange Act and; (ii) its public press release and web site notice required by Rule 12d2-2(c)(2)(iii) under the Exchange Act.

Amended.
April 7, 1978.
April 15, 1993.
April 21, 2006.

Limited Partnerships

No security issued in a limited partnership rollup transaction (as defined by Section 14(h) of the Exchange Act) shall be eligible for listing unless (i) the rollup transaction was conducted in accordance with procedures designed to protect the rights of limited partners as provided in Section 6(b)(9) of the Exchange Act, as it may from time to time be amended and (ii) a broker-dealer which is a member of a national securities association subject to Section 15A(b)(12) of the Exchange Act participates in the rollup transaction. The issuer shall further provide the Exchange with an opinion of counsel stating that such broker-dealer's participation in the rollup transaction was conducted in compliance with the rules of a national securities association designed to protect the rights of limited partners, as specified in the Limited Partnership Rollup Reform Act of 1993.

Commentary:

.01 The only currently existing national securities association subject to Section 15A(b)(12) of the Exchange Act is the National Association of Securities Dealers, Inc. Its rules designed to protect the rights of limited partners, pursuant to the Limited Partnership Rollup Reform Act of 1993, are on the date of adoption of this Commentary specified in Article III, Section 34 of the Rules of Fair Practice of the National Association of Securities Dealers, Inc.

Adopted.

Listing Standards --Hybrid Securities

The listing of hybrid security issues is considered on a case-by-case basis. Such hybrid issues will be evaluated for listing against the following criteria;

(a) Assets and Equity Criteria --the issuer will generally be required to have assets of $100
million, stockholders’ equity of $10 million and current earnings of at least $750,000 in pre-tax income in the last fiscal year or in two of the last three fiscal years. Issuers not meeting the earnings criteria will generally be required to have assets in excess of $200 million and stockholders’ equity of $10 million, or, in the alternative, assets in excess of $100 million and stockholders’ equity of $20 million;

(b) Distribution Criteria -- the issuer will be required to have a minimum public distribution of 1 million trading units together with a minimum of 400 holders, and a minimum aggregate market value of $18 million. When trading is expected to occur in larger than average trading units (for example a $1,000 principal amount), a minimum of 100 holders will be required. A minimum public market value of $5 million will be required for debt securities.

Prior to trading securities admitted to listing under this paragraph, the Exchange will evaluate the nature and complexity of the issue, and if appropriate, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities particular to handling transactions in such securities.

Adopted.

January 27, 1992

Suspension and Restoration of a Security

The suspension of any security from the list of the Exchange deprives it, during that period of suspension, of all of the privileges which listing by the Exchange may give it, except that on an application for restoration to the list, the Exchange may not require all of the papers, exhibits and examinations which would be required in the case of an original listing.

Sec. 3 Direct Registration Program

1.) All securities initially listing on the BSE on or after January 1, 2007 must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Exchange Act. This provision does not extend to: (i) additional classes of securities of companies which already have securities listed on BSE; (ii) companies which immediately prior to such listing had securities listed on another registered securities exchange in the U.S.; or, (iii) non-equity securities which are book-entry only.

2.) On and after January 1, 2008, all securities listed on BSE (except non-equity securities which are book-entry only) must be eligible for a Direct Registration Program operated by a clearing agency registered under Section 17A of the Securities Exchange Act of 1934.

3.) If an issuer establishes or maintains a Direct Registration Program for its shareholders, the issuer shall, directly or through its transfer agent, participate in an electronic link with a [securities depository] clearing agency registered under Section 17A of the Exchange Act to facilitate the electronic transfer of securities held pursuant to such program.
Supplement to Chapter XXVII --Informing the Public

Listing on the Boston Stock Exchange increases public confidence in a company's stock; investors know that the company and the stock issues have met the high standards of the Exchange.

However, the keystone of continuing confidence and good corporate stockholder relations is full and immediate disclosure to qualified persons of all material facts and figures relating to the status and the progress of the business. It follows that the spirit of this principle extends to the dissemination of corporate news to the investing public by companies whose securities are listed exclusively on Boston Stock Exchange.

The main points of this policy are described in the following paragraphs:

Financial Reports

Corporate reports must be sent to stockholders annually and semi-annually, with quarterly reports published in major newspapers and financial publications. As a matter of fairness, corporations which distribute interim reports to shareholders should distribute such reports to both registered and beneficial shareholders. All reports should be prepared in accordance with generally accepted accounting principles. The annual report must be attested by a firm of independent certified public accountants.

Amended.
March 26, 1996.

Timely Disclosure

Timely and Adequate Disclosure of Corporate News

A corporation whose stock is listed on the Boston Stock Exchange is expected to release quickly to the public any news or information which might reasonably be expected to materially affect the market for its securities.

A corporation should also act promptly to dispel unfounded rumors which result in unusual market activity or price variations.

The discussion which follows will assist a listed corporation, the securities of which are exclusively listed on the Boston Stock Exchange, in making adequate and timely disclosure to its shareholders, the financial community and the investing public and thus provide the basis for a market for its securities which will be fair to all participants.

Exchange Market Surveillance

For its part, the Exchange maintains a continuous market surveillance program, primarily on its exclusively listed issues. The Exchange reviews the markets in those securities in which unusual price and volume changes occur or where there is a large unexplained influx of buy or sell orders. Under such circumstances, the company may be called to inquire about any company
developments which have not been publicly announced but which could be responsible for unusual market activity. Where the market appears to be reflecting undisclosed information, the corporation will normally be requested to make it public immediately. Occasionally, it may be necessary to carry out a stock market review after the fact and the Exchange may request such information from the company as may be necessary to complete such inquiry.

The listing agreement provides that the company will furnish to the Exchange, on demand, such information concerning the company as the Exchange may reasonably require.

**Listing Department**

The staff of the Listing Department is available to discuss inquiries with company officials, and to act as liaison between the company and the Exchange. This includes problems that may be considered with new listings and the procedures necessary to effect a listing.

Preliminary discussions on important matters such as stock splits or changes in dividend policy, may be undertaken by listed company officials with the assurance that extreme security measures have been adopted by the Exchange to avoid revealing any confidential information which a listed company may disclose.

**Internal Handling of Confidential Corporate Matters**

Unusual market activity or a substantial price change has on occasion occurred in a company's securities shortly before the announcement of an important corporate action or development. Such incidents are extremely embarrassing and damaging to both the company and the Exchange since the public may assume that someone acted on the basis of "inside" information.

Negotiations leading to acquisitions and mergers, stock splits, the making of arrangements preparatory to an exchange or tender offer, changes in dividend rates or earnings, calls for redemptions, new contracts, products, or discoveries, are the type of developments where the risk of untimely and inadvertent disclosures of corporate plans are most likely to occur. Frequently, these matters require discussion and study by corporate officials before final decisions can be made. Accordingly, extreme care must be used in order to keep the information on a confidential basis.

Where it is possible to confine formal or informal discussion to a small group of the top management of the company or companies involved, and their individual confidential advisors where adequate security can be maintained, premature public announcement may properly be avoided. In this regard, the market action of a company's securities should be closely watched at a time when consideration is being given to important corporate matters. If unusual market activity should arise, the company should be prepared to make an immediate public announcement of the matter.

At some point it usually becomes necessary to involve other persons to conduct preliminary studies or assist in other preparations for contemplated transactions; e.g., business appraisals, tentative financing arrangement, attitude of large outside holders, availability of major blocks of stock, engineering studies, market analyses and surveys, etc. Experience has shown that maintaining security at this point is virtually impossible. Accordingly, fairness requires that the company make an immediate public announcement as soon as confidential disclosures relating to such important matters are made to any "outsiders".

The extent of the disclosures will depend upon the stage of discussion, studies, or negotiations. So far as possible, public statements should be definite as to price, ratio, timing, and/or other pertinent information necessary to permit a reasonable evaluation of the matter. As a minimum, they should include those disclosures made to "outsiders". Where an initial announcement cannot be specific or complete, it will need to be supplemented from time to time as more definite or
different terms are discussed or determined.

Corporate employees, as well as directors and officers, should be regularly reminded as a matter of policy that they must not disclose confidential information they may receive in the course of their duties and must not attempt to take advantage of such information themselves.

In view of the importance of this matter and the potential difficulties involved, the Exchange suggests that a periodic review be made by each company of the manner in which confidential information is being handled within its own organization. A reminder notice of the company's policy to those in sensitive areas might also be helpful from time to time.

The effective implementation of the foregoing is essential to the maintenance of a fair and orderly securities market for the benefit of a company and its shareholders. It should minimize the occasions where the Exchange finds it necessary to temporarily halt trading in a security due to information leaks or rumors in connection with significant corporate transactions.

While the procedures are directed primarily at situations involving two or more companies, they are equally applicable to major corporate developments involving a single company. Announcements of this type should usually be handled by telephone alert to the Listing Department.

**Relationship between Company Officials and Security Analysts, Institutional Investors, etc.**

Security analysts play an increasingly important role in the evaluation and interpretation of the financial affairs of listed companies. Annual reports, quarterly reports, and interim releases cannot by their nature provide all of the financial and statistical data that should be available to the investing public. The Exchange recommends that corporations observe an "open door" policy in their relations with security analysts, financial writers, shareowners, and others who have a legitimate investment interest in the company's affairs. A company should not give information to one inquirer which it would not give to another. Nor should it reveal information it would not willingly give to the press for publication. Thus, for corporations to give advance earnings, dividend, stock split, merger, or tender information to analysts, whether representing an institution, brokerage house, investment advisor, large stockholder, or anyone else, would be clearly incompatible with Exchange policy. On the other hand, it should not withhold information in which analysts or other members of the investing public have a warrantable interest.

If during the course of a discussion with analysts substantive material not previously published is disclosed, that material should be simultaneously released to the public. The various security analysts societies usually have a regular procedure to be followed where formal presentations are made. The company should follow these same precautions when dealing with groups of industry analysts in small or closed meetings.

The competent analyst depends upon his professional skills and broad industry knowledge in making his evaluations and preparing his reports and does not need the type of inside information that could lead to unfairness in the marketplace.

**Relationship between Company Officials and Exchange Specialists**

The Specialist is charged with doing all that is in his power to give the company and its stockholders the fair and orderly market that is expected from a listing on the Exchange. In carrying out this responsibility it would be desirable for the Specialist to have appropriate liaison with one or more corporate officials. Such liaison, properly conducted, provides opportunity for communication in the event of particular questions or problems encountered by either the Specialist or the company. Company officials should be informed of any unusual market problems, if deemed appropriate, and would be free to call the Floor Procedure Department (not
the Specialist) for information if a question arises about the market in the stock.

There is a point beyond which it is improper for the company to go in giving information to the Specialist. Thus, for the corporation to give advance earnings, dividend, stock split, or merger information to a Specialist or anyone else would be clearly inappropriate. On the other hand, it is entirely appropriate for company officials to discuss such matters as the trend of business with the Specialist, much as they would with bankers, stockholders, security analysts, or anyone having a legitimate interest in the company. In this way, the Specialist may be better able to maintain a market beneficial to the company and its present and prospective stockholders.

Relationship between Company Officials and Personnel of Boston Stock Exchange Member Organizations Serving as Directors or Advisors to the Corporation

Every director has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Not until there is full public disclosure of such data, particularly when the information might have a bearing on the market price of the securities, is a director released from the necessity of keeping information of this character to himself. Any director of a corporation who is a partner, officer, or employee of a member organization should recognize that his first responsibility in this area is to the corporation on whose Board he serves. Thus, a member firm director must meticulously avoid any disclosures of inside information to his partners, employees of the firm, his customers or his research or trading departments.

Where a representative of a member organization is not a director but is acting in an advisory capacity to a company and discussing confidential matters, the ground rules should be substantially the same as those that apply to a director. Should the matter require consultation with other personnel of the organization, adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside of the member organization.

Procedure for Public Release of Information

Immediate Release Policy

The normal method of publication of important corporate data is by means of a press release. This may be either by telephone or in written form. Any release of information that could reasonably be expected to have an impact on the market for a company's securities should be given to the Exchange, wire services and the press for immediate release. Clearly, a corporation cannot properly assume responsibility for the security of such important information in the hands of persons or organizations beyond its control.

The spirit of the Immediate Release policy is not considered to be violated on weekends where a "hold for Sunday or Monday A.M.'s" is issued to obtain a broad public release of the news. This procedure facilitates the combination of a press release with a mailing to shareholders.

Annual and quarterly earnings, dividend announcements, acquisitions, mergers, tender offers, stock splits, and major management changes are examples of news items that should be handled on an immediate release basis. News of major new products, contract awards, expansion plans, and discoveries very often fall into the same category. Unfavorable news should be reported as promptly and candidly as the favorable. Reluctance or unwillingness to release a negative story or an attempt to disguise unfavorable news endangers a management's reputation for integrity. Changes in accounting methods to mask such occurrences can have a similar long-term impact.

It should be a corporation's primary concern to assure that news will be handled in proper perspective. This necessitates appropriate restraint, good judgment, and careful adherence to the facts. Any projections of financial data, for instance, should be soundly based, appropriately
qualified, conservative and factual. Excessive or misleading conservatism should be avoided. Likewise, the repetitive release of essentially the same information is not appropriate.

Few things are more damaging to a corporation's stockholder relations or to the general public's regard for corporate securities than information improperly withheld whether inadvertently or willfully. On the other hand, a deluge of press releases is not to be used since important items can become confused with trivia.

Premature announcements of new products whose commercial application cannot yet be realistically evaluated should be avoided. So should overly optimistic forecasts, exaggerated claims and unwarranted promises. And should subsequent developments indicate that performance will not match earlier projections, this too should be reported and explained.

Judgment must be exercised as to the timing of a public release on those corporate developments where the immediate release policy is not involved or where disclosure would endanger the company's goals or provide information helpful to a competitor. In these cases, it is helpful to weigh the fairness to both present and potential stockholders, who at any given moment may be considering buying or selling the company's stock.

Dealing with Rumors or Unusual Market Activity

The market action of a company's security should be closely watched at a time when consideration is being given to significant corporate matters. If rumors or unusual market activity indicate that information on impending developments has leaked out, a frank and explicit announcement is clearly required. If rumors are in fact false or inaccurate, they should be promptly denied or clarified. If they are correct, however, an immediate, candid statement to the public as to the state of negotiations or the state of development of corporate plans in the rumored area must be made directly and openly. Such statements are essential despite the business inconvenience which may be caused and even though the matter may not as yet have been presented to the Company's Board of Directors for consideration.

Telephone Alert to the Listing Department

When the announcement of news of a material event or a statement dealing with a rumor which calls for immediate release is made shortly before the opening or during market hours (normally 10:00 A.M. to 4:00 P.M. Boston Time), it is recommended that the Listing Department be notified by telephone no later than simultaneously with the release of the announcement to the news media. The Listing Department should receive such information in sufficient time for the Exchange to determine whether trading in the security should be temporarily halted. A delay in trading, which normally would last 15 minutes after the appearance of the news on the Dow-Jones news ticker, provides a period for the public evaluation of the announcement. A longer delay in trading may be necessary if there is an unusual influx of orders. The Exchange attempts to keep such interruptions in the continuous auction market to a minimum. However, where events transpire during market hours, the overall importance of fairness to all those participating in the market demands that these procedures be followed.

The telephone number of the Listing Department of the Exchange is 617-723-9500. Important information received by telephone should be immediately confirmed from the Exchange by telephone to the company. The telephone advice by the company should be confirmed promptly in writing.

Releases to Newspapers and News-wire Services

News which ought to be the subject of immediate publicity must be released by the fastest available means. The "fastest available means" may vary in individual cases and according to the time of day. Ordinarily, this requires a release to the public press by telephone, telegraph, or hand
delivery, or some combination thereof. Transmittal of such a release to the press solely by mail is not considered satisfactory.

To insure adequate coverage, releases requiring immediate publicity should be given to the news ticker service operated by Dow Jones & Company, Inc., and to the other national news-wire services --Associated Press, and United Press International. These releases should also be given simultaneously to one or more of the newspapers of general circulation in Boston which regularly publish financial news:

The Boston Globe, 135 Wm. T. Morrissey Blvd.

Herald American, 300 Harrison Avenue

Christian Science Monitor, 1 Norway Street

The Wall Street Journal, 10 Post Office Square

The foregoing distribution of releases should be regarded as a minimum. Many companies may wish to give additional prompt distribution to their releases, particularly to newspapers in cities where the company is headquartered or has plants or other major facilities.

Two copies of any such press release should be sent immediately to the Exchange to the attention of the Listing Department.

The Boston addresses and telephone numbers of these national news-wire services are:

- Associated Press, 260 Summer Street............. 357-8100
- Dow Jones News Service, 10 Post Office Square... 426-6044
- United Press International, 20 Ashburton Place... 227-4000
- Reuters Limited, 1122 Avenue of the Americas,
  New York, New York......................... 212-581-4250

It is suggested that every news release include the name and telephone number of a company official who will be available if a newspaper or news-wire service desires to confirm or clarify the release with the company.

**Equity Compensation Plans**

**Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions explained below.**

Equity-compensation plans can help align shareholder and management interests, and equity-based awards are often very important components of employee compensation. To provide checks and balances on the potential dilution resulting from the process of earmarking shares to be used for equity-based awards, the Exchange requires that all equity-compensation plans, and any material revisions to the terms of such plans, be subject to shareholder approval, with the limited exemptions explained below.

**Definition of Equity-Compensation Plan**

An "equity-compensation plan" is a plan or other arrangement that provides for the delivery of equity securities (either newly issued or treasury shares) of the listed company to any employee, director or other service provider as compensation for services. Even a compensatory grant of
options or other equity securities that is not made under a plan is, nonetheless, an "equity-
compensation plan" for these purposes.

However, the following are not "equity-compensation plans" even if the brokerage and other costs 
of the plan are paid for by the listed company:

● Plans that are made available to shareholders generally, such as a typical dividend 
reinvestment plan.

● Plans that merely allow employees, directors or other service providers to elect to buy shares 
on the open market or from the listed company for their current fair market value, regardless of 
whether:

o the shares are delivered immediately or on a deferred basis; or

o the payments for the shares are made directly or by giving up compensation that is otherwise 
due (for example, through payroll deductions).

**Material Revisions**

A "material revision" of an equity-compensation plan includes (but is not limited to), the following:

● A material increase in the number of shares available under the plan (other than an increase solely to reflect a reorganization, stock split, merger, spinoff or similar transaction).

o If a plan contains a formula for automatic increases in the shares available (sometimes called an "evergreen formula") or for automatic grants pursuant to a formula, each such increase or grant will be considered a revision requiring shareholder approval unless the plan has a term of not more than ten years.

This type of plan (regardless of its term) is referred to below as a "formula plan." Examples of 
automatic grants pursuant to a formula are (1) annual grants to directors of restricted stock 
having a certain dollar value, and (2) "matching contributions," whereby stock is credited to a 
participant's account based upon the amount of compensation the participant elects to defer.

o If a plan contains no limit on the number of shares available and is not a formula plan, then 
each grant under the plan will require separate shareholder approval regardless of whether the 
plan has a term of not more than ten years.

This type of plan is referred to below as a "discretionary plan." A requirement that grants be made 
out of treasury shares or repurchased shares will not, in itself, be considered a limit or pre-
established formula so as to prevent a plan from being considered a discretionary plan.

● An expansion of the types of awards available under the plan.

● A material expansion of the class of employees, directors or other service providers eligible to participate in the plan.

● A material extension of the term of the plan.

● A material change to the method of determining the strike price of options under the plan.

o A change in the method of determining "fair market value" from the closing price on the date of grant to the average of the high and low price on the date of grant is an example of a change that the Exchange would not view as material.
The deletion or limitation of any provision prohibiting repricing of options. See the next section for details.

Note that an amendment will not be considered a "material revision" if it curtails rather than expands the scope of the plan in question.

Repricings

A plan that does not contain a provision that specifically permits repricing of options will be considered for purposes of this listing standard as prohibiting repricing. Accordingly any actual repricing of options will be considered a material revision of a plan even if the plan itself is not revised. This consideration will not apply to a repricing through an exchange offer that commenced before the date this listing standard became effective.

"Repricing" means any of the following or any other action that has the same effect:

- Lowering the strike price of an option after it is granted.
- Any other action that is treated as a repricing under generally accepted accounting principles.
- Canceling an option at a time when its strike price exceeds the fair market value of the underlying stock, in exchange for another option, restricted stock, or other equity, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

Exemptions

This listing standard does not require shareholder approval of employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans, all as described below. However, these exempt grants, plans and amendments may be made only with the approval of the company's independent compensation committee or the approval of a majority of the company's independent directors. Companies must also notify the Exchange in writing when they use one of these exemptions.

Employment Inducement Awards

An employment inducement award is a grant of options or other equity-based compensation as a material inducement to a person or persons being hired by the listed company or any of its subsidiaries, or being rehired following a bona fide period of interruption of employment. Inducement awards include grants to new employees in connection with a merger or acquisition. Promptly following a grant of any inducement award in reliance on this exemption, the listed company must disclose in a press release the material terms of the award, including the recipient(s) of the award and the number of shares involved.

Mergers and Acquisitions

Two exemptions apply in the context of corporate acquisitions and mergers.

First, shareholder approval will not be required to convert, replace or adjust outstanding options or other equity-compensation awards to reflect the transaction.

Second, shares available under certain plans acquired in corporate acquisitions and mergers may be used for certain post-transaction grants without further shareholder approval. This exemption applies to situations where a party that is not a listed company following the transaction has shares available for grant under pre-existing plans that were previously approved by shareholders. A plan adopted in contemplation of the merger or acquisition transaction would not
be considered "pre-existing" for purposes of this exemption.

Shares available under such a pre-existing plan may be used for post-transaction grants of options and other awards with respect to equity of the entity that is the listed company after the transaction, either under the pre-existing plan or another plan, without further shareholder approval, so long as:

- the number of shares available for grants is appropriately adjusted to reflect the transaction;
- the time during which those shares are available is not extended beyond the period when they would have been available under the pre-existing plan, absent the transaction; and
- the options and other awards are not granted to individuals who were employed, immediately before the transaction, by the post-transaction listed company or entities that were its subsidiaries immediately before the transaction.

Any shares reserved for listing in connection with a transaction pursuant to either of these exemptions would be counted by the Exchange in determining whether the transaction involved the issuance of 20% or more of the company's outstanding common stock and thus required shareholder approval.

These merger-related exemptions will not result in any increase in the aggregate potential dilution of the combined enterprise. Further, mergers or acquisitions are not routine occurrences, and are not likely to be abused. Therefore, the Exchange considers both of these exemptions to be consistent with the fundamental policy involved in this standard.

**Qualified Plans, Parallel Excess Plans and Section 423 Plans**

The following types of plans (and material revisions thereto) are exempt from the shareholder approval requirement:

- plans intended to meet the requirements of Section 401(a) of the Internal Revenue Code (e.g., ESOPs);
- plans intended to meet the requirements of Section 423 of the Internal Revenue Code; and
- "parallel excess plans" as defined below.

Section 401(a) plans and Section 423 plans are already regulated under the Internal Revenue Code and Treasury regulations. Section 423 plans, which are stock purchase plans under which an employee can purchase no more than $25,000 worth of stock per year at a plan-specified discount capped at 15%, are also required by the Internal Revenue Code to receive shareholder approval. While Section 401(a) plans and parallel excess plans are not required to be approved by shareholders, U.S. GAAP requires that the shares issued under these plans be "expensed" (i.e., treated as a compensation expense on the income statement) by the company issuing the shares. An equity-compensation plan that provides non-U.S. employees with substantially the same benefits as a comparable Section 401(a) plan, Section 423 plan or parallel excess plan that the listed company provides to its U.S. employees, but for features necessary to comply with applicable foreign tax law, are also exempt from shareholder approval under this section. The term "parallel excess plan" means a plan that is a "pension plan" within the meaning of the Employee Retirement Income Security Act ("ERISA") that is designed to work in parallel with a plan intended to be qualified under Internal Revenue Code Section 401(a) to provide benefits that exceed the limits set forth in Internal Revenue Code Section 402(g) (the section that limits an employee's annual pre-tax contributions to a 401(k) plan), Internal Revenue Code Section 401(a)(17) (the section that limits the amount of an employee's compensation that can be taken into account for plan purposes) and/or Internal Revenue Code Section 415 (the section that limits
the contributions and benefits under qualified plans) and/or any successor or similar limitations that may hereafter be enacted. A plan will not be considered a parallel excess plan unless (1) it covers all or substantially all employees of an employer who are participants in the related qualified plan whose annual compensation is in excess of the limit of Code Section 401(a)(17) (or any successor or similar limits that may hereafter be enacted); (2) its terms are substantially the same as the qualified plan that it parallels except for the elimination of the limits described in the preceding sentence and the limitation described in clause (3); and (3) no participant receives employer equity contributions under the plan in excess of 25% of the participant's cash compensation.

Transition Rules

Except as provided below, a plan that was adopted before the date of the Securities and Exchange Commission order approving this listing standard will not be subject to shareholder approval under this section unless and until it is materially revised.

In the case of a discretionary plan (as defined in "Material Revisions" above), whether or not previously approved by shareholders, additional grants may be made after the effective date of this listing standard without further shareholder approval only for a limited transition period, defined below, and then only in a manner consistent with past practice. See also "Material Revisions" above. In applying this rule, if a plan can be separated into a discretionary plan portion and a portion that is not discretionary, the non-discretionary portion of the plan can continue to be used separately, under the appropriate transition rule. For example, if a shareholder-approved plan permits both grants pursuant to a provision that makes available a specific number of shares, and grants pursuant to a provision authorizing the use of treasury shares without regard to the specific share limit, the former provision (but not the latter) may continue to be used after the transition period, under the general rule above.

Similarly, in the case of a formula plan (as defined in "Material Revisions" above) that either (1) has not previously been approved by shareholders or (2) does not have a term of ten years or less, additional grants may be made after the effective date of this listing standard without further shareholder approval only for a limited transition period, defined below.

The limited transition period described in the preceding two paragraphs will end upon the first to occur of:

- the listed company's next annual meeting at which directors are elected that occurs more than 180 days after the effective date of this listing standard;
- the first anniversary of the effective date of this listing standard; and
- the expiration of the plan.

A shareholder-approved formula plan may continue to be used after the end of this transition period if it is amended to provide for a term of ten years or less from the date of its original adoption or, if later, the date of its most recent shareholder approval. Such an amendment may be made before or after the effective date of this listing standard, and would not itself be considered a "material revision" requiring shareholder approval.

In addition, a formula plan may continue to be used, without shareholder approval, if the grants after the effective date of this listing standard are made only from the shares available immediately before the effective date, in other words, based on formulaic increases that occurred prior to such effective date.

Transition Rules for Proxy Voting on Equity Compensation Plans
Members or member-organizations are precluded from giving a proxy to vote on equity compensation plans unless the beneficial owner of the shares has given voting instructions, as set forth in Chapter XXVI, Proxies, Section 3(e), Proxy Voting on Equity Compensation Plans, of these Rules. This provision regarding equity compensation plans will be effective for any meeting of shareholders that occurs on or after the 90th day following the date of the Securities and Exchange Commission order approving this provision.

Amended.


Corporate Governance

A. Audit Committees: All issuers with securities listed on the Boston Stock Exchange will be required to establish an independent audit committee that shall be defined as: "An independent committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company; and if no such body exists with respect to the Company, the entire board of directors." All issuers with securities listed on the Boston Stock Exchange shall comply with the following rules:

1. Required Standards for Audit Committee Pursuant to SEC Rule 10A-3:


(1) National securities exchanges. The rules of each national securities exchange registered pursuant to section 6 of the Act (15 U.S.C. 78f) must, in accordance with the provisions of this section, prohibit the initial or continued listing of any security of an issuer that is not in compliance with the requirements of any portion of paragraph (b) or (c) of this section.

(2) National securities associations. The rules of each national securities association registered pursuant to section 15A of the Act (15 U.S.C. 78o-3) must, in accordance with the provisions of this section, prohibit the initial or continued listing in an automated inter-dealer quotation system of any security of an issuer that is not in compliance with the requirements of any portion of paragraph (b) or (c) of this section.

(3) Opportunity to cure defects. The rules required by paragraphs (a)(1) and (a)(2) of this section must provide for appropriate procedures for a listed issuer to have an opportunity to cure any defects that would be the basis for a prohibition under paragraph (a) of this section, before the imposition of such prohibition. Such rules also may provide that if a member of an audit committee ceases to be independent in accordance with the requirements of this section for reasons outside the member's reasonable control, that person, with notice by the issuer to the applicable national securities exchange or national securities association, may remain an audit committee member of the listed issuer until the earlier of the next annual shareholders meeting of the listed issuer or one year from the occurrence of the event that caused the member to be no longer independent.

(4) Notification of noncompliance. The rules required by paragraphs (a)(1) and (a)(2) of this section must include a requirement that a listed issuer must notify the applicable national securities exchange or national securities association promptly after an executive officer of the listed issuer becomes aware of any material noncompliance by the listed issuer with the requirements of this section.
(5) Implementation.

(i) The rules of each national securities exchange or national securities association meeting the requirements of this section must be operative, and listed issuers must be in compliance with those rules, by the following dates:

(A) July 31, 2005 for foreign private issuers and small business issuers (as defined in § 240.12b-2); and

(B) For all other listed issuers, the earlier of the listed issuer’s first annual shareholders meeting after January 15, 2004, or October 31, 2004.

(ii) Each national securities exchange and national securities association must provide to the Commission, no later than July 15, 2003, proposed rules or rule amendments that comply with this section.

(iii) Each national securities exchange and national securities association must have final rules or rule amendments that comply with this section approved by the Commission no later than December 1, 2003.

(b) Required standards.

(1) Independence.

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent; provided that, where a listed issuer is one of two dual holding companies, those companies may designate one audit committee for both companies so long as each member of the audit committee is a member of the board of directors of at least one of such dual holding companies.

(ii) Independence requirements for non-investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

(iii) Independence requirements for investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or
(B) Be an "interested person" of the issuer as defined in section 2(a)(19) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(19)).

(iv) Exemptions from the independence requirements.

(A) For an issuer listing securities pursuant to a registration statement under section 12 of the Act (15 U.S.C. 78l), or for an issuer that has a registration statement under the Securities Act of 1933 (15 U.S.C. 77a et seq.) covering an initial public offering of securities to be listed by the issuer, where in each case the listed issuer was not, immediately prior to the effective date of such registration statement, required to file reports with the Commission pursuant to section 13(a) or 15(d) of the Act (15 U.S.C. 78m(a) or 78o(d)):

(1) All but one of the members of the listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of this section for 90 days from the date of effectiveness of such registration statement; and

(2) A minority of the members of the listed issuer's audit committee may be exempt from the independence requirements of paragraph (b)(1)(ii) of this section for one year from the date of effectiveness of such registration statement.

(B) An audit committee member that sits on the board of directors of a listed issuer and an affiliate of the listed issuer is exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if the member, except for being a director on each such board of directors, otherwise meets the independence requirements of paragraph (b)(1)(ii) of this section for each such entity, including the receipt of only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of each such entity.

(C) An employee of a foreign private issuer who is not an executive officer of the foreign private issuer is exempt from the requirements of paragraph (b)(1)(ii) of this section if the employee is elected or named to the board of directors or audit committee of the foreign private issuer pursuant to the issuer's governing law or documents, an employee collective bargaining or similar agreement or other home country legal or listing requirements.

(D) An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is an affiliate of the foreign private issuer or a representative of such an affiliate;

(2) The member has only observer status on, and is not a voting member or the chair of, the audit committee; and

(3) Neither the member nor the affiliate is an executive officer of the foreign private issuer.

(E) An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is a representative or designee of a foreign government or foreign governmental entity that is an affiliate of the foreign private issuer; and

(2) The member is not an executive officer of the foreign private issuer.

(F) In addition to paragraphs (b)(1)(iv)(A) through (E) of this section, the Commission may exempt from the requirements of paragraphs (b)(1)(ii) or (b)(1)(iii) of this section a particular relationship with respect to audit committee members, as the Commission determines appropriate in light of the circumstances.
(2) Responsibilities relating to registered public accounting firms. The audit committee of each listed issuer, in its capacity as a committee of the board of directors, must be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer, and each such registered public accounting firm must report directly to the audit committee.

(3) Complaints. Each audit committee must establish procedures for:

(i) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and

(ii) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.

(4) Authority to engage advisers. Each audit committee must have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

(5) Funding. Each listed issuer must provide for appropriate funding, as determined by the audit committee, in its capacity as a committee of the board of directors, for payment of:

(i) Compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer;

(ii) Compensation to any advisers employed by the audit committee under paragraph (b)(4) of this section; and

(iii) Ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

(c) General exemptions.

(1) At any time when an issuer has a class of securities that is listed on a national securities exchange or national securities association subject to the requirements of this section, the listing of other classes of securities of the listed issuer on a national securities exchange or national securities association is not subject to the requirements of this section.

(2) At any time when an issuer has a class of common equity securities (or similar securities) that is listed on a national securities exchange or national securities association subject to the requirements of this section, the listing of classes of securities of a direct or indirect consolidated subsidiary or an at least 50% beneficially owned subsidiary of the issuer (except classes of equity securities, other than non-convertible, non-participating preferred securities, of such subsidiary) is not subject to the requirements of this section.

(3) The listing of securities of a foreign private issuer is not subject to the requirements of paragraphs (b)(1) through (b)(5) of this section if the foreign private issuer meets the following requirements:

(i) The foreign private issuer has a board of auditors (or similar body), or has statutory auditors, established and selected pursuant to home country legal or listing provisions expressly requiring or permitting such a board or similar body;

(ii) The board or body, or statutory auditors is required under home country legal or listing requirements to be either:
(A) Separate from the board of directors; or

(B) Composed of one or more members of the board of directors and one or more members that are not also members of the board of directors;

(iii) The board or body, or statutory auditors, are not elected by management of such issuer and no executive officer of the foreign private issuer is a member of such board or body, or statutory auditors;

(iv) Home country legal or listing provisions set forth or provide for standards for the independence of such board or body, or statutory auditors, from the foreign private issuer or the management of such issuer;

(v) Such board or body, or statutory auditors, in accordance with any applicable home country legal or listing requirements or the issuer's governing documents, are responsible, to the extent permitted by law, for the appointment, retention and oversight of the work of any registered public accounting firm engaged (including, to the extent permitted by law, the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the issuer; and

(vi) The audit committee requirements of paragraphs (b)(3), (b)(4) and (b)(5) of this section apply to such board or body, or statutory auditors, to the extent permitted by law.

(4) The listing of a security futures product cleared by a clearing agency that is registered pursuant to section 17A of the Act (15 U.S.C. 78q-1) or that is exempt from the registration requirements of section 17A pursuant to paragraph (b)(7)(A) of such section is not subject to the requirements of this section.

(5) The listing of a standardized option, as defined in § 240.9b-1(a)(4), issued by a clearing agency that is registered pursuant to section 17A of the Act (15 U.S.C. 78q-1) is not subject to the requirements of this section.

(6) The listing of securities of the following listed issuers are not subject to the requirements of this section:

(i) Asset-Backed Issuers (as defined in § 240.13a-14(g) and § 240.15d-14(g));

(ii) Unit investment trusts (as defined in 15 U.S.C. 80a-4(2)); and

(iii) Foreign governments (as defined in § 240.3b-4(a)).

(7) The listing of securities of a listed issuer is not subject to the requirements of this section if:

(i) The listed issuer, as reflected in the applicable listing application, is organized as a trust or other unincorporated association that does not have a board of directors or persons acting in a similar capacity; and

(ii) The activities of the listed issuer that is described in paragraph (c)(7)(i) of this section are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(d) Disclosure. Any listed issuer availing itself of an exemption from the independence standards contained in paragraph (b)(1)(iv) of this section (except paragraph (b)(1)(iv)(B) of this section), the general exemption contained in paragraph (c)(3) of this section or the last sentence of
paragraph (a)(3) of this section, must:

(1) Disclose its reliance on the exemption and its assessment of whether, and if so, how, such reliance would materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of this section in any proxy or information statement for a meeting of shareholders at which directors are elected that is filed with the Commission pursuant to the requirements of section 14 of the Act (15 U.S.C. 78n); and

(2) Disclose the information specified in paragraph (d)(1) of this section in, or incorporate such information by reference from such proxy or information statement filed with the Commission into, its annual report filed with the Commission pursuant to the requirements of section 13(a) or 15(d) of the Act (15 U.S.C. 78m(a) or 78o(d)).

(e) Definitions. Unless the context otherwise requires, all terms used in this section have the same meaning as in the Act. In addition, unless the context otherwise requires, the following definitions apply for purposes of this section:

(1)(i) The term affiliate of, or a person affiliated with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii)(A) A person will be deemed not to be in control of a specified person for purposes of this section if the person:

(1) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and

(2) Is not an executive officer of the specified person.

(B) Paragraph (e)(1)(ii)(A) of this section only creates a safe harbor position that a person does not control a specified person. The existence of the safe harbor does not create a presumption in any way that a person exceeding the ownership requirement in paragraph (e)(1)(ii)(A)(1) of this section controls or is otherwise an affiliate of a specified person.

(iii) The following will be deemed to be affiliates:

(A) An executive officer of an affiliate;

(B) A director who also is an employee of an affiliate;

(C) A general partner of an affiliate; and

(D) A managing member of an affiliate.

(iv) For purposes of paragraph (e)(1)(i) of this section, dual holding companies will not be deemed to be affiliates of or persons affiliated with each other by virtue of their dual holding company arrangements with each other, including where directors of one dual holding company are also directors of the other dual holding company, or where directors of one or both dual holding companies are also directors of the businesses jointly controlled, directly or indirectly, by the dual holding companies (and, in each case, receive only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the dual holding companies or any entity that is jointly controlled, directly or indirectly, by the dual holding companies).

(2) In the case of foreign private issuers with a two-tier board system, the term board of directors means the supervisory or non-management board.
(3) In the case of a listed issuer that is a limited partnership or limited liability company where such entity does not have a board of directors or equivalent body, the term board of directors means the board of directors of the managing general partner, managing member or equivalent body.

(4) The term control (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(5) The term dual holding companies means two foreign private issuers that:

(i) Are organized in different national jurisdictions;

(ii) Collectively own and supervise the management of one or more businesses which are conducted as a single economic enterprise; and

(iii) Do not conduct any business other than collectively owning and supervising such businesses and activities reasonably incidental thereto.

(6) The term executive officer has the meaning set forth in § 240.3b-7.

(7) The term foreign private issuer has the meaning set forth in § 240.3b-4(c).

(8) The term indirect acceptance by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.

(9) The terms listed and listing refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

Instructions to § 240.10A-3.

1. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v) and (c)(3)(vi) of this section do not conflict with, and do not affect the application of, any requirement or ability under a listed issuer's governing law or documents or other home country legal or listing provisions that requires or permits shareholders to ultimately vote on, approve or ratify such requirements. The requirements instead relate to the assignment of responsibility as between the audit committee and management. In such an instance, however, if the listed issuer provides a recommendation or nomination regarding such responsibilities to shareholders, the audit committee of the listed issuer, or body performing similar functions, must be responsible for making the recommendation or nomination.

2. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v), (c)(3)(vi) and Instruction 1 of this section do not conflict with any legal or listing requirement in a listed issuer's home jurisdiction that prohibits the full board of directors from delegating such responsibilities to the listed issuer's audit committee or limits the degree of such delegation. In that case, the audit committee, or body performing similar functions, must be granted such responsibilities, which can include advisory powers, with respect to such matters to the extent permitted by law, including
submitting nominations or recommendations to the full board.

3. The requirements in paragraphs (b)(2) through (b)(5), (c)(3)(v) and (c)(3)(vi) of this section do not conflict with any legal or listing requirement in a listed issuer's home jurisdiction that vests such responsibilities with a government entity or tribunal. In that case, the audit committee, or body performing similar functions, must be granted such responsibilities, which can include advisory powers, with respect to such matters to the extent permitted by law.

4. For purposes of this section, the determination of a person's beneficial ownership must be made in accordance with § 240.13d-3.

2. COMPLIANCE:

(a) CERTIFICATION: Initially, issuers listed on the Boston Stock Exchange or issuers applying for listing on the Exchange shall submit a statement indicating compliance with this Rule by the dates of effectiveness indicated below, and annually thereafter, in conjunction with the filing of the issuer's annual audited financial statement. Such issuers shall inform the Exchange promptly in the event of any of the following:

(1) A change in membership of any member of the audit committee, and a statement indicating compliance with this Rule as it pertains to any new member of such committee;

(2) Any event that would materially alter the independence of the audit committee or otherwise violate any of the Rules set forth herein or SEC Rule 10A-3;

(3) Any amendment to the corporate charter of the issuer having any effect on the issuer's audit committee;

(4) Upon the issuers executive officer becomes aware of noncompliance by the issuer with any part of this Rule; and

(5) Any reliance upon any exemption or exclusion from this Rule.

(b) AUDIT COMMITTEES FOR INVESTMENT COMPANIES: In addition to the requirements of Section 10A(1)(b)(3), audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(c) RESPONSE TO EXCHANGE INQUIRIES: Listed companies shall promptly respond to any inquiry by the Exchange regarding the companies' audit committee, its independence, or the members thereof.

(d) ENFORCEMENT AND OPPORTUNITY TO CURE DEFECTS: A listed issuer that has been deemed not in compliance with this Rule shall be given notice of such non-compliance and given thirty (30) days from the time of notice to either rectify the matter or submit a plan of resolution in writing to the Exchange. Upon submission of such, the Exchange shall determine whether the issuer into complied with this Rule or will comply within a reasonable time, not to exceed six months. If a member of a listed issuer's audit committee ceases to be independent as set-forth herein, such issuer may request, in writing, that such member remain on the audit committee until the earlier of the next annual shareholders meeting, or one year from the occurrence of the event that caused the member to be no longer independent, provided however, that the event that caused non-independence was outside such member's reasonable control. In the event that the issuer fails to so comply, the Exchange shall take the following measures:
(1) Thirty (30) days after notice of non-compliance, all securities of the issuer listed on the Exchange shall be suspended from trading pending resolution of the matter.

(2) Sixty (60) days after notice of suspension: all securities of the issuer listed on the Exchange, shall be involuntarily delisted from the Exchange.

(e) EFFECTIVENESS: Small business issuers and foreign private issuers must be in compliance with the provisions of this Section 10A by July 31, 2005. All other issuers listed on the Exchange must be in compliance with this Rule no later than the earlier of the issuer’s first annual shareholders meeting after January 15, 2004, or in no case later then October 31, 2004.

B.1. Definitions

(a) For purposes of this Section 10.B., unless the context requires otherwise:

(1) “Family Member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

(2) “Independent director” means a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company;
(B) a director who accepted or who has a Family Member who accepted any payments from the company or any parent or subsidiary of the company in excess of $60,000 during the current or any of the past three fiscal years, other than the following:
   (i) compensation for board or board committee service;
   (ii) payments arising solely from investments in the company’s securities;
   (iii) compensation paid to a Family Member who is a non-executive employee of the company or a parent or subsidiary of the company;
   (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or
   (v) loans permitted under Section 13(k) of the Act. Provided, however, that audit committee members are subject to additional, more stringent requirements under paragraph 2 (c) of this Section 10.B.
(C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the company or by any parent or subsidiary of the company as an executive officer;
(D) a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenues for that year, or $200,000 ($1 million of the listed company is also listed on the New York Stock Exchange), whichever is more, other than the following:
   (i) payments arising solely from investments in the company’s securities;
   or
   (ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the listed company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the listed company serve on the
compensation committee of such other entity; or

(F) a director who is, or has a Family Member who is, a current partner of the company's outside auditor, or was a partner or employee of the company’s outside auditor who worked on the company's audit at any time during any of the past three years.

(G) In the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an “interested person” of the company as defined in section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.

Interpretive Material

It is important for investors to have confidence that individuals serving as independent directors do not have a relationship with the listed company that would impair their independence. The board has a responsibility to make an affirmative determination that no such relationships exist through the application of Section 10.B.1. Section 10.B.1. also provides a list of certain relationships that preclude a board finding of independence. These objective measures provide transparency to investors and companies, facilitate uniform application of the rules, and ease administration. Because the Exchange does not believe that ownership of company stock by itself would preclude a board finding of independence, it is not included in the aforementioned objective factors. It should be noted that there are additional, more stringent requirements that apply to directors serving on audit committees, as specified in Section 10.B.2 (c).

The rule’s reference to a "parent or subsidiary" is intended to cover entities the issuer controls and consolidates with the issuer's financial statements as filed with the U.S. Securities and Exchange Commission (but not if the issuer reflects such entity solely as an investment in its financial statements). The reference to executive officer means those officers covered in Rule 16a-1(f) under the Act. In the context of the definition of Family Member under Section 10.B.1(a)(1), the reference to marriage is intended to capture relationships specified in the rule (parents, children and siblings) that arise as a result of marriage, such as "in-law" relationships.

The three year look-back periods referenced in paragraphs (A), (C), (E) and (F) of the rule commence on the date the relationship ceases. For example, a director employed by the company is not independent until three years after such employment terminates.

Paragraph (B) of the rule is generally intended to capture situations where a payment is made directly to (or for the benefit of) the director or a family member of the director. For example, consulting or personal service contracts with a director or family member of the director or political contributions to the campaign of a director or a family member of the director would be considered under paragraph (B) of the rule.

Paragraph (D) of the rule is generally intended to capture payments to an entity with which the director or Family Member of the director is affiliated by serving as a partner, controlling shareholder or executive officer of such entity. Under exceptional circumstances, such as where a director has direct, significant business holdings, it may be appropriate to apply the corporate measurements in paragraph (D), rather than the individual measurements of paragraph (B). Issuers should contact the Exchange if they wish to apply the rule in this manner. The reference to a partner in paragraph (D) is not intended to include limited partners. It should be noted that the independence requirements of paragraph (D) of the rule are broader than Rule 10A-3(e)(8) under the Act.
Under paragraph (D), a director who is, or who has a Family Member who is, an executive officer of a charitable organization may not be considered independent if the company makes payments to the charity in excess of the greater of the greater of 5% of the charity's revenues or $200,000. However, the Exchange encourages companies to consider other situations where a director or their Family Member and the company each have a relationship with the same charity when assessing director independence.

For purposes of determining whether a lawyer is eligible to serve on an audit committee, Rule 10A-3 under the Act generally provides that any partner in a law firm that receives payments from the issuer is ineligible to serve on that issuer's audit committee. In determining whether a director may be considered independent for purposes other than the audit committee, payments to a law firm would generally be considered under Section 10.B.1(2)(D), which looks to whether the payment exceeds the greater of 5% of the recipients gross revenues or $200,000; however, if the firm is a sole proprietorship, Section 10.B.1(2)(B), which looks to whether the payment exceeds $60,000, applies.

Paragraph (G) of the rule provides a different measurement for independence for investment companies in order to harmonize with the Investment Company Act of 1940. In particular, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the company as defined in section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee, would not be considered to be independent.

2. Qualitative Listing Requirements for all Exchange Listed Securities

The Exchange shall review the issuer's past corporate governance activities. This review may include activities taking place while the issuer is listed on the Exchange or an exchange that imposes corporate governance requirements, as well as activities taking place after a formerly listed issuer is no longer listed on the BSE or an exchange that imposes corporate governance requirements. Based on such review, the BSE may take any appropriate action, including placing of restrictions on or additional requirements for listing, or the denial of listing of a security if the Exchange determines that there have been violations or evasions of such corporate governance standards. Such determinations shall be made on a case-by-case basis as necessary to protect investors and the public interest.

(a) Applicability

(1) Foreign Private Issuers. The Exchange shall have the ability to provide exemptions from this Section 10.B. to a foreign private issuer when provisions of this Section are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer's country of domicile, except to the extent that such exemptions would be contrary to the federal securities laws, including without limitation those rules required by Section 10A(m) of the Act and Rule 10A-3 thereunder. A foreign issuer that receives an exemption under this subsection shall disclose in its annual reports filed with the Commission each requirement from which it is exempted and describe the home country practice, if any, followed by the issuer in lieu of such requirements. In addition, a foreign issuer making its initial public offering or first U.S. listing on the BSE shall disclose any such exemptions in its registration statement.

(2) Management Investment Companies. Management investment companies (including business development companies) are subject to all the requirements of this Section 10.B., except that management investment companies registered under the
(3) Asset-backed Issuers and Other Passive Issuers. The following are exempt from the requirements of Section 10.B.2. (b) and (f): (a) asset-backed issuers; and (b) issuers, such as unit investment trusts, that are organized as trusts or other unincorporated associations that do not have a board of directors or persons acting in a similar capacity and whose activities are limited to passively owning or holding (as well as administering and distributing amounts in respect of) securities, rights, collateral or other assets on behalf of or for the benefit of the holders of the listed securities.

(4) Cooperatives. Cooperative entities, such as agricultural cooperatives, that are structured to comply with relevant state law and federal tax law and that do not have a publicly traded class of common stock are exempt from Section 10. B. 2 (b). However, such entities must comply with all federal securities laws, including without limitation those rules required by Section 10A(m) of the Act and Rule 10A-3 thereunder.

(5) Effective Dates/Transition. In order to allow companies to make necessary adjustments in the course of their regular annual meeting schedule, and consistent with Exchange Act Rule 10A-3, the requirements of this Section 10.B. are effective as set out in this subsection. During the transition period between July 9, 2004 and the effective date of Rule 10.B., companies that have not brought themselves into compliance with Rule 10.B. must continue to comply with Rule 10.A.

The provisions of Section 10.B.1 and Section 10.B.2 (b), (c) and (e) regarding director independence, independent committees, and notification of noncompliance shall be implemented by the following dates:

July 31, 2005 for foreign private issuers and small business issuers (as defined in Rule 12b-2); and

For all other listed issuers, by the earlier of: (1) the listed issuer’s first annual shareholders meeting after July 31, 2004; or (2) October 31, 2004.

In the case of an issuer with a staggered board, with the exception of the audit committee requirements, the issuer shall have until their second annual meeting after January 15, 2004, but not later than December 31, 2005, to implement all new requirements relating to board composition, if the issuer would be required to change a director who would not normally stand for election at an earlier annual meeting. Such issuers shall comply with the audit committee requirements pursuant to the implementation schedule bulleted above.

Issuers that have listed or shall be listed in conjunction with their initial public offering shall be afforded exemptions from all board composition requirements consistent with the exemptions afforded in Rule 10A-3(b)(1)(iv)(A) under the Act. That is, for each committee that the company adopts, the company shall have one independent member at the time of listing, a majority of independent members within 90 days of listing and all independent members within one year. It should be noted, however, that investment companies are not afforded these exemptions under Rule 10A-3. Issuers may choose not to adopt a compensation or nomination committee and may instead rely upon a majority of the independent directors to discharge responsibilities under the rules. These issuers shall be required to meet the majority independent board requirement within one year of listing.

Companies transferring from other markets with a substantially similar requirement shall be afforded the balance of any grace period afforded by the other market. Companies transferring from other listed markets that do not have a substantially similar requirement shall be afforded one year from the date of listing on the Exchange. This transition period is not intended to supplant any applicable requirements of Rule 10A-3 under the Act.
The limitations on corporate governance exemptions to foreign private issuers shall be effective July 31, 2005. However, the requirement that a foreign issuer disclose the receipt of a corporate governance exemption from the Exchange shall be effective for new listings and filings made after July 31, 2004.

Section 10.B.2 (f), requiring issuers to adopt a code of conduct, shall be effective July 31, 2004.

Section 10.B.2 (d), requiring audit committee approval of related party transactions, shall be effective July 31, 2004.

The remainder of Section 10.B.2(a) is effective July 31, 2004.

(b) Independent Directors

(1) A majority of the board of directors must be comprised of independent directors as defined in this Section 10 (subject to the exception set forth in paragraph (g) with respect to small business issuers). The company must disclose in its annual proxy (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) those directors that the board of directors has determined to be independent. If an issuer fails to comply with this requirement due to one vacancy, or one director ceases to be independent due to circumstances beyond their reasonable control, the issuer shall regain compliance with the requirement by the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision shall provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(2) Independent directors must have regularly scheduled meetings at which only independent directors are present (“executive sessions”).

(3) Compensation of Officers

(A) Compensation of the chief executive officer of the company must be determined, or recommended to the Board for determination, either by:

(i) a majority of the independent directors, or

(ii) a compensation committee comprised solely of independent directors.

The chief executive officer may not be present during voting or deliberations.

(B) Compensation of all other executive officers must be determined, or recommended to the Board for determination, either by:

(i) a majority of the independent directors, or

(ii) a compensation committee comprised solely of independent directors.

(C) Notwithstanding paragraphs (3)(A)(ii) and (3)(B)(ii) above, if the compensation committee is comprised of at least three members, one director
who is not independent and is not a current officer or employee or a Family Member of an officer or employee, may be appointed to the compensation committee if the board, under exceptional and limited circumstances, determines that such individual’s membership on the committee is required by the best interests of the company and its shareholders, and the board discloses, in the proxy statement for the next annual meeting subsequent to such determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for the determination. A member appointed under this exception may not serve longer than two years.

(4) Nomination of Directors

(A) Director nominees must either be selected, or recommended for the Board’s selection, either by:

(i) a majority of the independent directors, or

(ii) a nominations committee comprised solely of independent directors.

(B) Each issuer must certify that it has adopted a formal written charter or board resolution, as applicable, addressing the nominations process and such related matters as may be required under the federal securities laws.

(C) Notwithstanding paragraph (4)(A)(ii) above, if the nominations committee is comprised of at least three members, one director, who is not independent and is not a current officer or employee or a Family Member of an officer or employee, may be appointed to the nominations committee if the board, under exceptional and limited circumstances, determines that such individual’s membership on the committee is required by the best interests of the company and its shareholders, and the board discloses, in the proxy statement for next annual meeting subsequent to such determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for the determination. A member appointed under this exception may not serve longer than two years.

(D) Independent director oversight of director nominations shall not apply in cases where the right to nominate a director legally belongs to a third party. However, this does not relieve a company’s obligation to comply with the committee composition requirements under Section 10.B.2 (b) and (c).

(E) This Section 10.B.2 (b)(4) is not applicable to a company if the company is subject to a binding obligation that requires a director nomination structure inconsistent with this rule and such obligation pre-dates the approval date of this rule.

(5) A Controlled Company is exempt from the requirements of this Section 10.B.2 (b), except for the requirements of subsection (b)(2) which pertain to executive sessions of independent directors. A Controlled Company is a company of which more than 50% of the voting power is held by an individual, a group or another company. A Controlled Company relying upon this exemption must disclose in its annual meeting proxy statement (or, if the issuer does not file a proxy, in its Form 10-K or 20-F) that it is a Controlled Company and the basis for that determination.
(c) Audit Committee

(1) Audit Committee Charter

Each issuer must certify that it has adopted a formal written audit committee charter and that the audit committee has reviewed and reassessed the adequacy of the formal written charter on an annual basis. The charter must specify:

(A) the scope of the audit committee's responsibilities, and how it carries out those responsibilities, including structure, processes, and membership requirements;

(B) the audit committee's responsibility for ensuring its receipt from the outside auditors of a formal written statement delineating all relationships between the auditor and the company, consistent with Independence Standards Board Standard 1, and the audit committee's responsibility for actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full board take, appropriate action to oversee the independence of the outside auditor; and

(C) the committee’s purpose of overseeing the accounting and financial reporting processes of the issuer and the audits of the financial statements of the issuer;

(D) the specific audit committee responsibilities and authority set forth in Section 10.B.2(c)(3).

(2) Audit Committee Composition

(A) Each issuer must have, and certify that it has and will continue to have, an audit committee of at least three members (subject to the exception set forth in paragraph (g) with respect to small business issuers), each of whom must: (i) be independent; (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Act (subject to the exemptions provided in Rule 10A-3(c)); (iii) not have participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

(B) Notwithstanding paragraph (2)(A)(i), one director who: (i) is not independent; (ii) meets the criteria set forth in Section 10A(m)(3) under the Act and the rules thereunder; and (iii) is not a current officer or employee or a Family Member of such officer or employee, may determination (or, if the issuer does not file a proxy, in its Form 10-K or 20-F), the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve longer than two years and may not chair the audit committee.

(3) Audit Committee Responsibilities and Authority

The audit committee must have the specific audit committee responsibilities and
authority necessary to comply with Rule 10A-3(b)(2), (3), (4) and (5) under the Act (subject to the exemptions provided in Rule 10A-3(c)), concerning responsibilities relating to: (i) registered public accounting firms, (ii) complaints relating to accounting, internal accounting controls or auditing matters, (iii) authority to engage advisors, and (iv) funding as determined by the audit committee. Audit committees for investment companies must also establish procedures for the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters by employees of the investment adviser, administrator, principal underwriter, or any other provider of accounting related services for the investment company, as well as employees of the investment company.

(4) Cure Periods
(A) If an issuer fails to comply with the audit committee composition requirement under Rule 10A-3(b)(1) under the Act and Section 10.B.2 (c)(2) because an audit committee member ceases to be independent for reasons outside the member’s reasonable control, the audit committee member may remain on the audit committee until the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision must provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(B) If an issuer fails to comply with the audit committee composition requirement under Section 10.B.2 (c)(2)(A) due to one vacancy on the audit committee, and the cure period in paragraph (A) is not otherwise being relied upon for another member, the issuer will have until the earlier of the next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with this requirement. An issuer relying on this provision must provide notice to the Exchange immediately upon learning of the event or circumstance that caused the non-compliance.

(d) Conflicts of Interest

Each issuer shall conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the company’s audit committee or another independent body of the board of directors. For purposes of this rule, the term “related party transaction” shall refer to transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

(e) Notification of Material Noncompliance

An issuer must provide the Exchange with prompt notification after an executive officer of the issuer becomes aware of any material noncompliance by the issuer with the requirements of Section 10.B.2.

(f) Code of Conduct

be appointed to the audit committee, if the board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the company and its shareholders, and the board discloses, in the next annual proxy statement subsequent to such

Each issuer shall adopt a code of conduct applicable to all directors, officers and employees, which shall be publicly available. A code of conduct satisfying this rule must comply with the definition of a “code of ethics” set out in Section 406(c) of the Sarbanes-Oxley Act of 2002 (“the Sarbanes-Oxley Act”) and any regulations promulgated thereunder by the Commission. See 17 C.F.R. 228.406 and 17 C.F.R. 229.406. In addition, the code must provide for an enforcement mechanism. Any waivers of the code for directors or executive officers must be approved by the Board. Domestic issuers shall
disclose such waivers in a Form 8-K within five business days. Foreign private issuers shall disclose such waivers either in a Form 6-K or in the next Form 20-F.

(g) Small Business Issuers – Small business issuers (as defined in Rule 12b-2 under the Securities Exchange Act of 1934) are subject to all requirements specified in this Section, except that such issuers are only required to maintain a Board of Directors comprised of at least 50% independent directors, and an Audit Committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Adopted.
December 1, 2003.

Amended.
July 9, 2004

Chapter XXVIII – Settlement of C.O.D. Transactions

Settlement of C.O.D. Transactions

No member or member organization shall accept an order from a customer pursuant to an arrangement whereby payment for securities purchased is to be made to the member or member organization upon delivery of the securities to an agent of the customer, or whereby payment for securities sold is to be made by the member or member organization to an agent of the customer upon receipt of the securities from such agent, unless all of the following procedures are followed:

(1) The member or member organization shall have received from the customer prior to or at the time of accepting the order, the name and address of the agent and the name and account number of the customer on file with the agent to which the securities are to be delivered or from which they are to be received, as the case may be;

(2) Each order accepted from the customer pursuant to such an arrangement has noted thereon the fact that it is a payment on delivery (POD) or collect on delivery (COD) transaction;

(3) The member or member organization delivers to the customer a confirmation, or in lieu thereof delivers to the customer all relevant data customarily contained in a confirmation, with respect to the execution of the order, in whole or in part, not later than the close of business on the next business day after any such execution; and

(4) The member or member organization has obtained an agreement from the customer that the customer will furnish his agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will assure that such instructions are delivered to his agent no later than:

(i) in case of a purchase by the customer where the agent is to receive the securities against payment (COD), the close of business on the second business day after the date of execution of the trade as to which the particular confirmation or relevant data relates; or

(ii) in the case of a sale by the customer where the agent is to deliver the securities against payment (POD), the close of business on the first business day after the date of execution of the
trade as to which the particular confirmation or relevant data relates.

● ● ● Commentary: ...

.01 A confirmation with respect to a COD or POD transaction pursuant to this Rule must set forth all of the information normally contained on customer confirmations, including name and account number of customer, date of entry of order, security, amount, price, and any specific instructions relating thereto. If the order has been only partially executed, the confirmation should show the number of shares or units which remain to be executed.

.02 Under subparagraph (3) of this Rule, the member organization must assure that the confirmation is physically delivered to the customer no later than the close of business on the next business day after the date of execution, regardless of whether the order has been fully executed or only partially executed. Thus, the mailing of confirmations may not be sufficient to assure compliance with this Rule. If the customer's office is so located that physical delivery of the confirmation cannot be made within the specified time period, the member organization must make other arrangements to assure that the customer actually received the relevant information by the close of business on the date following the date of execution. This may be accomplished by telegram, teletype, telephone or similar means of communication, followed by delivery or mailing of the written confirmation. In case the relevant information concerning a confirmation is furnished to a customer by telephone communication, the member or member organization should prepare and preserve a memorandum of such conversation as evidence of delivery of the required information.

.03 The agreement by the customer to furnish his agent with instructions for receiving or delivering securities upon receipt of information concerning executions must likewise provide for actual delivery of such instructions within the time period specified in subparagraph (4) of this Rule. Again, if such instructions cannot be hand delivered, wire communications must be used.

Adopted.
July 8, 1971.

Amended.
April 7, 1995.

Chapter XXIX – Trading in Securities Subject to the Interest Equalization Tax Act and Extension

Trading in Securities Subject to the Interest Equalization Tax Act and Extensions

Amended.

Deleted.
March 27, 1981.
Chapter XXX – Disciplining of Members – Denial of Membership

Disciplining of Members – Denial of Membership

The following are the considerations and procedures to be followed in connection with the disciplining of members and persons associated with members, the denial of membership to any person seeking membership in the Exchange, the barring of any person from becoming associated with a member of the Exchange, and the prohibition or limitation by the Exchange of any person with respect to access to services offered by the Exchange or a member thereof. In lieu of formal disciplinary action, a member may opt for Acceptance Waiver and Consent Procedures pursuant to Section 10 of this Chapter.

Principal Considerations In Determining Sanctions

The following list of factors should be considered in conjunction with the imposition of sanctions. Individual guidelines may list other factors. As appropriate, the Exchange will consider case-specific factors in addition to those listed here and in individual guidelines.

1. The named party's relevant disciplinary history including any fines imposed under the Minor Rule Violation Fine Plan.

2. Whether the named party accepted responsibility for and acknowledged the misconduct to an employer (in the case of an employee of a member or member organization or an approved person) or a regulator prior to detection and intervention by the employer or regulator.

3. Whether the named party voluntarily employed subsequent corrective measures, prior to detection or intervention by an employer (in the case of an employee of a member or member organization or an approved person) or a regulator, to revise general and/or specific procedures to avoid recurrence of misconduct.

4. Whether the named party voluntarily and reasonably attempted, prior to detection and intervention, to pay restitution or otherwise remedy the misconduct.

5. Whether the named party demonstrated reasonable reliance on competent legal or accounting advice.

6. Whether the named party engaged in numerous acts and/or a pattern of misconduct.

7. Whether the named party engaged in the misconduct over an extended period of time.

8. Whether the named party attempted to conceal misconduct or to lull into inactivity, mislead, deceive, or intimidate a customer, regulatory authorities, or an employer (in the case of an employee of a member or member organization or an approved person).

9. With respect to other parties, including the investing public and/or other market participants, (a) whether the named party's misconduct resulted directly or indirectly in injury to such other parties; and (b) the extent of the injury.

10. Whether the named party provided substantial assistance to regulators in its examination and/or investigation of the underlying misconduct, or whether the named party attempted to delay an investigation, to conceal information, or to provide inaccurate or misleading testimony or documentary information to the BSE or another regulator.
(11) Whether the named party's misconduct was the result of an intentional act, recklessness, or negligence.

(12) Whether the named party engaged in the misconduct at issue notwithstanding prior warnings from BSE staff, another regulator, or a supervisor (in the case of an approved person or employee of a member or member organization) that the conduct violated BSE Rules or applicable securities laws or regulations.

(13) Whether the named party's misconduct resulted in the potential for monetary or other gain.

(14) The number, size, and character of the transactions at issue.

(15) The level of sophistication of the injured or affected customer. (Generally a violation affecting an unsophisticated customer should be considered as an aggravating factor.)

(16) Whether, at the time of the violation, the named member or member organization had developed reasonable supervisory, operational, and/or technical procedures or controls that were properly implemented.

(17) Whether, at the time of the violation, the named member or member organization had developed adequate training and educational initiatives.

(18) Whether the named member or member organization can demonstrate that the misconduct at issue was aberrant or not otherwise reflective of its historical compliance record.

(19) Whether the member or member organization with which a named party is/was associated disciplined the party for the misconduct at issue prior to regulatory detection.

SEC. 1. Notification. The notices required by Section 6(d) of the Securities Exchange Act of 1934 as amended (the "1934" Act) and Sec. 9 hereof shall be given by certified or registered mail, receipt requested, addressed to the member or person to receive such notice at such member's or person's address as appearing on the records of the Exchange. Such notice under said Sec. 6(d)(2) shall (a) contain the specific charges against, or specific grounds for denial, bar, prohibition or limitations ("denial") of, such member or person, (b) in case of disciplinary charges, set forth the date, time and place at which the member may be heard with respect to such charges, (c) set forth the board, committee or individual ("Panel") before which the member may be heard with respect to such charge or denial, and (d) advise such member or person of his right to file an answer to Sec. 2 of this Rule or request a hearing regarding such denial.

SEC. 2. (a) Charges. Notice of specific disciplinary charges as required by 1(a) above shall be in the form of a written statement ("charge memorandum") and shall be signed by an authorized officer of the Exchange. The charge memorandum shall set forth the specific facts upon which the charges are based, the specific provisions of the Exchange Constitution and Rules alleged to have been violated and the persons or organization alleged to have committed each of the violations ("respondents").

(b) Answer or Request for Hearing. A member or person against whom charges have been made or who has been the subject of a denial shall have twenty-five (25) days from the date of receipt of the notice referred to in Sec. 1 hereof to file an answer to said charge or request a hearing concerning such denial with the Secretary of the Exchange. Any such answer or request shall be in writing, signed by or on behalf of the member or other person involved. The answer to a charge memorandum shall admit or deny each of the specific allegations set forth in the charge memorandum and contain, in reasonable detail, any affirmative defense or explanatory material which the respondent wishes to set forth. Any allegation in the charge memorandum not
specifically denied in the answer may for all purposes, be deemed admitted and failure to file an answer within the specified time or such other extended time period as may be approved by the Hearing Officer may be deemed an admission of any facts and charges asserted in the charge memorandum.

(c) Forwarding of Charges. The Secretary of the Exchange shall forward copies of the charges and any answer received in the case of disciplinary proceedings and the specific grounds in the case of any other proceedings, to the member or members of the Panel which is to hear the matter.

SEC. 3. Hearing Panels. Hearings with respect to a charge memorandum shall be held before a Hearing Panel consisting of at least three persons: A Hearing Officer who shall be the Chairman of the Panel and at least two members of the Hearing Committee.

The Chairman of the Board shall, from time to time, subject to the approval of the Board of Governors, appoint members of the Hearing Committee as the Chairman may deem necessary. Subject to the approval of the Board of Governors, the Chairman of the Board shall appoint a Chairman of the Hearing Committee who shall also serve as the Chief Hearing Officer.

Prior to a hearing, the Chief Hearing Officer shall select at least two prospective panelists to serve on the Hearing Panel. Such prospective panelists may not have any direct or indirect interest in the outcome of the matter to be heard or any knowledge, opinions or relationship which would make their services on the Panel inappropriate. In the event that the Chief Hearing Officer is disqualified from serving on a Panel, he should appoint a member of the Hearing Committee to serve as Hearing Officer for the hearing.

Parties to the hearing (the respondent and an authorized officer of the Exchange) shall be sent a list of prospective Panelists and the name of the Hearing Officer. Following such notification, the parties may, within ten days, file with the Hearing Officer one objection for cause as to any or all of the prospective Panelists, or as to the Hearing Officer. The parties are prohibited from contacting, directly or indirectly, the prospective members of the Hearing Panel. The Chief Hearing Officer, or the Hearing Officer appointed by him, shall rule on all such objections and shall determine which of the remaining prospective Panelists shall serve on the Hearing Panel. In the event that the Chief Hearing Officer, or the Hearing Officer appointed by him, is thus disqualified, the Chief Hearing Officer shall appoint another member of the Hearing Committee to serve as the Hearing Officer.

A final notice of the Hearing, listing the date, time and location of the Hearing and the names of the members of the Panel shall then be sent to the respondent by the Exchange in the same manner as notice of charges was provided under Sec. 1 above.

SEC. 4. Hearings. Hearings shall be conducted in accordance with the following procedures:

(a) Time and Place for Hearings. No hearing shall be held on any matter prior to five (5) days following (a) the last date upon which an answer may be filed in case of disciplinary matters or (b) the date upon which a person requests a hearing in other matters. The time and place for any such hearing shall be set by the Executive Vice President of the Exchange except in cases of hearings before the Board of Governors, in which case the time and place shall be set by the Chairman of the Board.

(b) Either party, prior to the hearing, may apply to the Chief Hearing Officer to resolve procedural matters relating to the case. After the hearing has begun such application should be made to the Hearing Officer assigned to the Hearing. Such applications must be made through the Hearing Committee with notice to all parties. Ex parte communications with any Panelist or Hearing Officer are forbidden. The Chief Hearing Officer or a Hearing Officer designated by him shall, upon request, permit a respondent or the Exchange to inspect and copy documents or records in
possession of either party which are material to the defense or are intended for use as evidence at the hearing. This does not authorize the discovery or inspection of reports, memoranda or other internal Exchange documents prepared by the Exchange in connection with the proceedings. Similarly, the respondent may be required by the Hearing Officer to permit access by the Exchange to documents or records in his possession or control. A Hearing Officer may require a pre-hearing conference on any case. Any appeal of procedural determinations of the Hearing Officer may only be made after a Panel has issued its final decision on the charges.

The Exchange and any member or person shall be entitled to be represented by counsel at any hearing held hereunder. The Hearing Board may assist in attempting to obtain at the Hearing the presence of witnesses from the member firm community whose testimony is relevant and necessary.

(c) Conduct of Hearing. The Hearing Officer shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the Hearing. Formal rules of evidence shall not apply. The charges shall be presented by a representative of the Exchange who, along with respondent, may present evidence and produce witnesses who shall testify under oath, shall be subject to cross examination and questioning by the Hearing Panel. The Hearing Panel may, on its own motion, request the production of documentary evidence and witnesses. A transcript of the hearing shall be made and shall become a part of the record and one copy shall be made available to each party.

(d) In lieu of the procedures set forth in paragraph (c) above, a Hearing Panel, at a Hearing called for that purpose, shall also conduct disciplinary hearings on the basis of a written Stipulation and Consent entered into between the respondent and any authorized officer of the Exchange. Any such Stipulation and Consent shall contain a stipulation with respect to the facts, or the basis for findings of fact by the Hearing Panel; a consent to findings of fact by the Hearing Panel, including a finding that a specified offense had been committed; and a consent to the imposition of a specified penalty. Neither of the parties will be permitted to offer any argument which is inconsistent with the stipulated facts or to ask for the imposition of any penalty other than that agreed upon in the stipulation. In any such Hearing, if the Hearing Panel determines that the respondent has committed an offense, it may impose the penalty agreed to in such Stipulation and Consent or any penalty which is less severe than the stipulated penalty, as it deems appropriate. In addition, a Hearing Panel may reject such Stipulation and Consent.

Such rejection shall not preclude the parties to the proceeding from entering into a modified Stipulation and Consent which shall be presented to a Hearing Panel in accordance with the provisions of this section nor shall such rejection preclude the Exchange from bringing or presenting the same or different charges to a Hearing Panel in accordance with the provisions of paragraph (c) above.

(e) Counsel. The Exchange and any member or person shall be entitled to be represented by counsel at any hearing held hereunder.

SEC. 5. Decision. After a hearing held pursuant to Sec. 4 hereof, the Panel shall:

(a) In the case of disciplinary hearings, not resulting from a Stipulation and Consent, determine by majority vote of all members of the Panel whether the respondent is guilty or not guilty with respect to each specific charge. If the Panel determines that the respondent is guilty with respect to one or more charges, the Panel shall reconvene with the parties, announce their decision and state whether it was by majority or unanimous vote. The parties shall then be given an opportunity to present to the Panel their recommendation as to the appropriate penalty including arguments in support of such penalty and mitigating or aggravating circumstances. The Panel shall then, by majority vote of all members of the Panel, determine the penalty to be imposed.

(b) In the case of a disciplinary hearing to consider a Stipulation and Consent, determine by
majority vote whether to accept the Stipulation and Consent, reduce the penalty or reject it.

(c) In the case of denial hearings, pursuant to the denial of membership to any person seeking membership in the Exchange, the barring of any person from becoming associated with a member of the Exchange, and the prohibition or limitation by the Exchange of any person with respect to access to services offered by the Exchange or a member thereof, determine by majority vote of all members of the Panel whether or not such denial should be upheld or modified.

In all cases the Panel shall accompany such determination with the appropriate statement required pursuant to Sec. 6(d)(1) or (2) of the 1934 Act.

In the case of disciplinary hearings the Hearing Panel shall issue a written decision including a statement of findings and conclusions, with the reasons therefor, upon all material issues, presented in the record, and whether each violation alleged in the charge memorandum has occurred.

Statements and written decisions of the Panel shall be promptly served to the parties to the Hearing in accordance with Sec. 1 contained therein.

SEC. 6. Request for Review. Except for decisions made by the Board of Governors, which shall become final when made, any determination made pursuant to Sec. 5 shall become final within twenty (20) days after its filing with the Secretary of the Exchange unless a request for review thereof by the Board of Governors is filed with the Secretary prior to the end of such period. Such requests may be filed either by or on behalf of the Board or committee originally bringing the disciplinary charges or making the decision of denial or the member or person subject of such charge or denial. Upon such request the Secretary shall make the record of the proceedings available to the Board of Governors.

SEC. 7. Review. Upon review the Board of Governors may, by majority vote, sustain any such determination including any sanction imposed or reverse, modify, limit or increase such determination or return the matter to the Panel for further findings. The decision of the Board shall be final and conclusive.

SEC. 8. Summary Proceedings. Summary action to be taken by the Exchange under Sec. 6(d)(3) of the 1934 Act may be administered by the Executive Committee of the Board of Governors.

SEC. 9. Notice of Decisions. The Secretary of the Exchange shall file notice of any final decision hereunder or under Sec. 6 hereof with the Securities and Exchange Commission.

Sec. 10. Acceptance, Waiver and Consent. Failure to comply with any of the Rules of the Exchange may result in a violation. Upon the determination of a violation by the Enforcement Department, the member will be notified of specific charges. If member does not dispute the violation, he may execute a letter, prepared by the Enforcement Department. The letter shall contain the member’s (1) acceptance of finding a violation(s), (2) consent to the imposition of sanctions, and (3) agreement to waive the right to a hearing of appeal to challenge the validity of the letter.

(a) Execution of the Letter. The letter shall describe (1) the act or practice engaged or omitted, (2) rule, regulation or statutory provision violated, (3) sanction(s) to be imposed, (4) effective date of sanction(s) imposed.

(b) Waiver. If the member executes the letter of Acceptance, Waiver and Consent ("AWC"), and it is accepted, the member waives the right to a hearing before a Hearing Panel of the
Chapter XXXI – Intermarket Trading System

Intermarket Trading System

Section (1) (a) Definitions --

(i) The term "Plan" as used in Exchange rules shall mean the plan agreed upon by the participating market centers, as from time to time amended in accordance with the provisions therein, and approved by the Securities and Exchange Commission pursuant to Section 11A(a)(3)(B) of the Securities Exchange Act of 1934, as amended (the Act). The purpose of the Plan is to enable the participating market centers to act jointly in planning, developing, operating and regulating the System and its applications so as to further the objectives of Congress as set forth in Section 11A(a) of the Act.

(ii) The term "System" as used in Exchange rules shall mean the communications network and
related equipment that links electronically the participating market centers as described in the Plan. The System also includes the ITS Control Center ("ICC"), which monitors and controls communications within the system, including the processing of error conditions. The ICC staff is also able to enter adjustments of any trade pursuant to the procedures specified in Section (5) of this chapter.

(iii) The term "Eligible Listed Security" as used in Exchange rules shall mean any security on the Exchange which may be traded through the System.

(iv) The term "Intermarket Trading System" (ITS) as used in Exchange rules shall mean the application of the System which permits intra-day trading in Eligible Listed Securities between participating market centers as set forth in the Plan.

(v) The term "Pre-Opening Application" as used in Exchange rules shall mean the application of the System which permits a specialist in one participating market center, who wishes to open his market in an Eligible Listed Security to obtain from other specialists registered in that security in other participating market centers any pre-opening interests such other specialists might decide to disclose as set forth in the Plan.

(vi) The term "Previous day's closing price" as used in Exchange rules shall mean the last price at which a transaction in a security was reported by the Consolidated Last Sale reporting system on the last previous day on which transactions in the security were reported by such system; provided, however, that in the event that unusual market conditions render prices inappropriate as the basis for the Pre-Opening Application, the Exchange may specify that the "previous day's consolidated closing price" for all Network A or Network B eligible securities shall be the last price at which a transaction in the security was reported by the NYSE or the AMEX, respectively, pursuant to the ITS Plan.

(vii) "Participant(s) Market" as used in Exchange rules shall mean each Exchange/Market, including Remote Specialist premises on which ITS stations are located, and the ITS/CAES Third Market.

(b) Provisions of the Plan --

By subscribing to and submitting the Plan for filing with the Securities and Exchange Commission, the Exchange has agreed to comply to the best of its ability, and, absent reasonable justification or excuse, to enforce compliance by its members, with the provisions of the Plan. In this connection, the following shall apply:

Amended.


Section (2) Intermarket Trading System (ITS)

(a) All transactions effected through ITS shall be on a "regular way" basis. Each transaction effected through ITS shall be cleared and settled through a clearing agency registered with the Securities and Exchange Commission which maintains facilities through which ITS transactions may be compared and settled and which agrees to supply each participating market center with data reasonably requested in order to permit such market center to enforce compliance by its members with the provisions of the Act, the rules and regulations thereunder, and the rules of such market center.

(b) Any "commitment to trade", which is transmitted by a member to another participating market center through ITS, shall be firm and irrevocable for the period of time following transmission as is chosen by the sender of the commitment. All such commitments to trade shall, at a minimum:
(i) identify one or more clearing members,

(ii) direct the commitment to a particular participating market center,

(iii) specify the security which is the subject of the commitment,

(iv) designate the commitment as either a commitment to buy or a commitment to sell,

(v) specify the amount of the security to be bought or sold, which amount shall be for one unit of trading or any multiple thereof,

(vi) specify the price at or below which the security is to be bought or the price at or above which the security is to be sold, or specify that the commitment is a commitment to trade "at the market",

(vii) designate the commitment "short" or "short exempt" whenever it is a commitment to sell which, if it should result in an execution in the market of the receiving market center, would result in a short sale to which the provisions of paragraph (a) of Rule 10a-1 under the Act would apply,

(viii) specify the time period during which the commitment shall be irrevocable, but if the time period is not specified in the commitment, the longer of the two options available under the Plan shall be assumed by ITS.

(c) Each commitment to trade sent through ITS (other than a commitment to trade "at the market"), if a commitment to buy, shall be priced at the offer price then being displayed from the market center to which the commitment is sent and, if a commitment to sell, shall be priced at the bid price then being displayed from such market center.

(i) A "commitment to trade" received on the Floor through ITS shall be treated in the same manner, and entitled to the same privileges, as would an immediate or cancel order that reaches the Floor at the same time except as otherwise provided in the Plan and except further that such a commitment may not be "stopped" and the commitment shall remain irrevocable for the time period chosen by the sender of the commitment.

(d) The member on the Floor who made the bid or offer which is sought by a commitment to trade received on the Floor through ITS shall accept such commitment to trade up to the amount of the bid or offer if the bid or offer is still available on the Floor when the commitment to trade is received by such member, unless acceptance is precluded by the rules of the Exchange. In the event that the bid or offer which is sought by a commitment to trade is no longer available on the Floor when the commitment is received, but a new bid or offer is available on the Floor which would enable the commitment to trade to be executed at a price which is as or more favorable than the price specified in such commitment, then the member who has made such new bid or offer shall accept such commitment at the price, and up to the amount of, his bid or offer, unless acceptance is precluded by the rules of the Exchange.

(e) Any member to whom a commitment to trade received through ITS is communicated and who intends to reject that commitment shall notify the market center from which the commitment was sent of such rejection as promptly as possible.

(f) Any commitment to trade received on the Floor through ITS and any execution thereof and any commitment to trade issued by a member through ITS shall be subject to such rules as the Exchange may from time to time determine.

Section (3) Pre-Opening Application
The provisions of Sec. (2) (a) above shall also be applicable to any transaction effected through the Pre-Opening Application. The Pre-Opening Application applies in two instances. First, it applies whenever a market-maker in any Participant Market, in arranging an opening transaction in his market in a System security, anticipates that the opening transaction will be at a price that represents a change from the security's "previous day's consolidated closing price" at more than the "applicable price change". Second, it applies whenever an "indication of interest" (i.e., an anticipated opening price range) is sent to the CTA Plan Processor as required or permitted by the CTA Plan or a Participant Market's rules.

(a) Openings on the Exchange

(I) Notification Requirements

(A) Applicable Price Change

(i) Initial Notification --Whenever an Exchange specialist, in arranging an opening transaction on the Exchange in any Eligible Listed Security, anticipates that the opening transaction on the Exchange will be at a price that represents a change from the security's previous day's consolidated closing price of more than the "applicable price change" (as defined below), he shall notify the other Participant markets of the situation by sending a "pre-opening notification" through the System. Thereafter, the specialist shall not open the security in his market until not less than three minutes after his transmission of the pre-opening notification. The "applicable price changes" are:

<table>
<thead>
<tr>
<th>Security</th>
<th>Consolidated Closing Price</th>
<th>Change $ (More Than)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network A</td>
<td>Under $15</td>
<td>.10</td>
</tr>
<tr>
<td></td>
<td>$15 or over</td>
<td>.25</td>
</tr>
<tr>
<td>Network B</td>
<td>Under $5</td>
<td>.10</td>
</tr>
<tr>
<td></td>
<td>$5 or over</td>
<td>.25</td>
</tr>
</tbody>
</table>

*If the previous day's consolidated closing price of a Network A Eligible Security exceeded $100 and the Security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price change" is one dollar.

**If the previous day's consolidated closing price of a Network B Eligible Security exceeded $75 and the Security is not Portfolio Deposit Receipts, Index Fund Shares, or Trust Issued Receipts, or does not underlie an individual stock options contract listed and currently trading on a national securities exchange, the "applicable price change" is one dollar.

A pre-opening notification shall

(A) be designated as a pre-opening notification ("IND"),

(B) identify the Exchange ("X"), the Exchange specialist and the security ("XYZ"), and

(C) indicate the "applicable price range" by being formatted as a standardized pre-opening administrative message as follows:

IND X/XYZ [RANGE]
The price range shall not exceed the "applicable price range" shown below:

<table>
<thead>
<tr>
<th>Security</th>
<th>Consolidated Closing Price</th>
<th>Applicable Price Range</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network A</td>
<td>Under $50</td>
<td>1.00</td>
<td>.50</td>
</tr>
<tr>
<td></td>
<td>$50 or over</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network B</td>
<td>Under $10</td>
<td>1.00</td>
<td>.50</td>
</tr>
<tr>
<td></td>
<td>$10 or over</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the previous day's consolidated closing price of a Network A Eligible Security exceeded $100 and the Security does not underlie an individual stock option contract listed and currently trading on a national securities exchange, the "applicable price range" is two dollars.

If the previous day's consolidated closing price of a Network B Eligible Security exceeded $75 and the Security is not Portfolio Deposit Receipts, Index Fund Shares, or Trust Issued Receipts, or does not underlie an individual stock options contract listed and currently trading on a national securities exchange, the "applicable price change" is two dollars.

The price range also shall not straddle the previous day's consolidated closing price, although it may include it as an endpoint (e.g., a 40.15 - 40.65 price range would be permissible if the previous day's consolidated closing price were 40.15 or 40.65, but not if the closing price were within the price range of 40.16 - 40.64).

(ii) Subsequent Notifications --If, after sending a pre-opening notification, the situation in an Exchange specialist's market changes, he may have to issue a subsequent pre-opening notification. The three situations requiring subsequent notifications are described below. Subsequent pre-opening notifications shall be standardized pre-opening administrative messages. After sending a subsequent notification, the specialist shall wait either (1) one minute or (2) until the balance of the original three-minute waiting period expires, whichever is longer, before opening his market (i.e., if more than one minute of the initial waiting period has not yet expired at the time the subsequent notification is sent, the specialist must wait for the rest of the period to pass before opening his market).

(A) Increase or Decrease in Applicable Price Range --Where, prior to the specialist's opening of his market in the security, his anticipated opening price shifts so that it (1) is outside of the price range specified in his pre-opening notification but (2) still represents a change from the previous day's consolidated closing price of more than the applicable price change, he shall issue a replacement pre-opening notification (an "additional" notification) through the System before opening his market in the security. An additional notification contains the same kind of information as is required in an original pre-opening notification.

(B) Shift to within Applicable Price Change Parameter --(i) The specialist shall, by issuing a "cancellation" notification through the System, notify the Participant market(s) of the receiving market-maker(s) prior to opening the security if the price at which he anticipates opening his market shifts so that it (1) is outside of the price range specified in his pre-opening notification but (2) does not represent a change from the previous day's consolidated closing price of more than the applicable price change.

(ii) Notwithstanding the preceding sentence, in situations where the price range in an initial or additional notification includes price variations equal to or less than the applicable price change
parameters, the "cancellation" notification signifies that the anticipated opening price: (1) may or
may not be outside of the price range specified in the pre-opening notification and (2) does not
represent a change from the previous day's consolidated closing price of more than the
applicable price change.*

* Example: CTA close at 30. Pre-Opening Notification sent with any one of
the following price ranges: 30 - 30.64; 30.10 - 30.74; or 30.25 - 30.87. It is
then determined that the stock will open at a price within the range of 29.75
to 29.99. Under paragraph (3)(a)(I)(A)(ii)(B)(i), the specialist "shall" send a
cancellation notification. If it is subsequently determined that the stock will
open at a price within a range of 30 to 30.25, the specialist need not
reindicate the stock pursuant to paragraph (3)(a)(I)(A)(ii)(B)(ii).

(C) Participation as Principal Precluded ("Second Look") --If a responding market-maker, who has
shown in his pre-opening response interest as principal at a price better than the anticipated
opening price, would be precluded from participation as principal in the opening transaction (e.g.,
his responding principal interest is to sell at a price .01 or more below the opening price
established by paired agency orders), the specialist shall send a "second look" notification
through the System notifying such responding market-maker of the price and size at which he
could participate as principal (i.e., in the parenthetical example above, the total amount of the
security that he would have to sell at the better price to permit the opening transaction to occur at
that price).

(iii) Tape Indications --If the CTA Plan or the Exchange's rules require or permit that an "indication
of interest" (i.e., an anticipated opening price range) in a security be furnished to the consolidated
last sale reporting system prior to the opening of trading, or the reopening of trading following a
halt or suspension in trading in one or more Eligible Listed Securities, then the furnishing of an
indication of interest in such situations shall, without any other additional action required of the
specialist, (1) initiate the Pre-Opening process, and (2) if applicable, substitute for and satisfy the
requirements of (3)(a)(i)(A)(1), (3)(a)(ii)(A) and (3)(a)(ii)(B). (While the furnishing of an indication
of interest to the consolidated last sale reporting system satisfies the notification requirements of
this rule, a specialist should also transmit the indication through the System in the format of a
standardized pre-opening administrative message.) In any such situation, the specialist shall not
open or reopen the security until not less than three minutes after his transmission of the opening
or reopening indication of interest. For the purpose of paragraphs (a)(ii), (a)(iii), (a)(iv)(C) and
(a)(vi)-(vii), "pre-opening notification" includes an indication of interest furnished to the
consolidated last sale reporting service.

(II) Pre-Opening Responses

(A) Decision on Opening Transaction --Subject to paragraph (a)(II)(B), if an Exchange specialist
who has issued a pre-opening notification receives "pre-opening responses" through the system
containing "obligations to trade" from market-makers in other Participant Markets ("responding
market-makers"), he shall combine those obligations with orders he already holds in the security
and, on the basis of this aggregated information, decide upon the opening transaction in the
security. If the specialist has received more than one pre-opening response from a Participant
Market, he shall include in such combination only those obligations to trade from such Participant
Market as are specified in the most recent response, whether or not the most recent response
expressly cancels the preceding response(s). An original or revised response received after the
specialist has effected his opening transaction shall be to no effect.

(B) Pre-Opening Responses from Open Markets --An Exchange specialist must accept only those
pre-opening responses sent to the Exchange by market-makers in other Participant Markets prior
to the opening of their markets for trading in the security. Following a halt or suspension in trading
on the Exchange, a specialist must accept only those pre-opening responses sent by market-
makers to the Exchange from other Participant Markets that halted trading in the security
contemporaneously with the Exchange and that had not resumed trading in the security at the time the pre-opening response was sent.

In the event that one or more market-makers from Participant Markets that have already opened trading in a security or, with respect to a halt or suspension in trading, either did not halt trading in a security contemporaneously with the Exchange, or has already resumed trading in a security, respond to a pre-opening notification in that security, the specialist need not, but may in his discretion, accept such responses for the purpose of inclusion in the opening or reopening transaction. In the event that a Participant Market opens or, with respect to a halt or suspension in trading, resumes trading in a security subsequent to a market-maker in that Participant Market sending a pre-opening response but prior to the opening or reopening transaction on the Exchange, the market-maker who sent the pre-opening response to the Exchange must confirm the pre-opening response by sending an administrative message through the System stating that the response remains valid; if the market-maker fails to so confirm the pre-opening response, the specialist need not, but may in his discretion, accept the original response for the purpose of inclusion in the opening or reopening transaction.

(C) Allocation of Imbalances --Whenever pre-opening responses from one or more responding market-makers include obligations to take or supply as principal more than 50 percent of the opening imbalance, the Exchange specialist may take or supply as principal 50 percent of the imbalance at the opening price, rounded up or down as may be necessary to avoid the allocation of odd lots. In any such case where the pre-opening response is from more than one responding market-maker, the specialist shall allocate the remaining imbalance (which may be greater than 50 percent if the specialist elects to take or supply less than 50 percent of the imbalance) among them in proportion to the amount each obligated himself to take or supply as principal at the opening price in his pre-opening response, rounded up or down as may be necessary to avoid the allocation of odd lots. For the purpose of this paragraph (a)(II)(C), multiple responding market-makers in the same Eligible Listed Security in the same Participant Market shall be deemed to be a single responding market-maker.

(D) Treatment of Obligations to Trade --In receiving a pre-opening response, an Exchange specialist shall accord to any obligation to trade as agent included in the response the same treatment as he would to an order entrusted to him as agent on the Exchange at the same time such obligation was received.

(E) Responses Increasing the Imbalance --An Exchange specialist shall not reject a pre-opening response that has the effect of further increasing the existing imbalance for that reason alone.

(III) Reports of Participation --Promptly following the opening in any security as to which an Exchange specialist issued a pre-opening notification, the specialist shall report to each Participant responsible for a market in which one or more responding market-makers are located (A) the amount of the security purchased and/or sold, if any, by the responding market-maker(s) in the opening transaction and the price thereof or (B) if the responding market-maker(s)'s response included agency or principal interest at the opening price that did not participate in the opening transaction, the fact that such interest did not so participate.

(b) Openings in Other Participant Markets

(i) Pre-Opening Responses --Subject to paragraph (b)(ii), whenever an Exchange specialist who has received a pre-opening notification as provided in the ITS Plan in any Eligible Listed Security as to which he is registered as a specialist wishes to participate in the opening of that security in the Participant market from which the pre-opening notification was issued, he may do so by sending obligations to trade through the System to such Participant market in a pre-opening response. A pre-opening response shall

(A) be designated as a pre-opening response ("RES"),
(B) identify the Exchange ("X"), the specialist and the security ("XYZ"), and

(C) show the specialist's interest (if any), both as principal for his own account ("P") and as agent for orders left with him ("A"), at each price level within the price range indicated in the pre-opening notification (e.g., 40.40), reflected on a netted share basis by being formatted as a standardized pre-opening administrative message as follows:

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RES X/XYZ BUY [SELL] A-P 40.40
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The response may also show market orders separately. For the purposes of this paragraph (b), "pre-opening notification" includes an "indication of interest" received through the System in compliance with the counterpart to paragraph (a)(x) in another Participant Market's rule pertaining to the Pre-Opening Application.

(ii) Responses When the Exchange is Open --Notwithstanding paragraph (b)(i), an Exchange specialist who has received a pre-opening notification in any Eligible Listed Security in which he is registered as a specialist should not send a pre-opening response to the originator of such notification if (A) the market for trading in the security is open on the Exchange or (B) the Participant Market from which the notification emanated had declared a halt or suspension in trading in such security, and the Exchange either had not halted trading in the security reasonably contemporaneously with the Participant Market or had resumed trading during the halt or suspension in trading.

(iii) Revised Responses --An Exchange specialist may cancel or modify his pre-opening response by sending through the System a revised response that cancels the obligations to trade contained in his original response and, if a modification is desired, that substitutes new obligations to trade stating the specialist's aggregate interest (i.e., his interest reflected in the original response plus any additional interest and/or minus any withdrawn interest) at each price level. Each succeeding response, even if it fails to expressly cancel its predecessor response, shall supersede the predecessor response in its entirety. Any revised response shall be to no effect if received in the Participant market from which the pre-opening notification was issued after the security has opened in such Participant market.

(iv) Sole Means of Pre-Opening Routing --Once a pre-opening notification as to any security is received on the Exchange, the one or more Exchange specialists in such security shall submit any obligations to trade that security as principal for his or their own accounts to the Participant market from which the pre-opening notification was issued only through the Pre-Opening Application and shall not send orders to trade that security for his or their own accounts to such Participant market for participation at the opening in that market by any other means. The foregoing sentence shall have no application to orders sent to that market by the specialist(s) prior to the issuance of a pre-opening notification.

(v) Use of System before Opening or Reopening --No Exchange member, whether acting as principal or agent, shall send an obligation to trade, commitment to trade or order in any security from the Exchange through the System to any other Participant Market prior to the opening of trading in the security in the Participant Market (or prior to the resumption of trading in the security in the Participant Market following the initiation of a halt or suspension in trading in the security as referred to in Section X of the CTA Plan if the Pre-Opening Application applies) until a pre-opening notification in the security has been issued from the other Participant Market or, if no pre-opening notification is required, until the market in the security has opened in such other Participant Market.

(vi) Duration of Obligations to Trade --Responses to pre-opening notifications shall be voluntary, but each obligation to trade that an Exchange specialist includes in any pre-opening response, or in any modification of a pre-opening response, shall remain binding on him, and on any person
for whom he is acting, until the security has opened in the Participant market from which the pre-
opening notification was issued or until a cancellation or modification of such obligation has been
received in such Participant market, and any such modification shall itself be binding on the
Exchange specialist or such person until a subsequent cancellation or modification thereof has
been received in such Participant Market. The preceding sentence applies to obligations to trade
even if included in pre-opening responses contravening paragraph (a)(II).

(vii) Request for Participation Report --The ITS Plan anticipates that an Exchange member who
has sent one or more obligations to trade in response to a pre-opening notification will request a
report through the System as to this participation if he does not receive a report as required
promptly following the opening. If, on or following trade date, he does request a report through the
System as to his participation before 4:00 p.m. eastern time, and he does not receive a response
by 9:30 a.m. eastern time on the next trading day, he need not accept a later report. If he fails to
so request a report, he must accept a report until 4:00 p.m. eastern time on the third trading day
following the trade date (i.e., on T + 3). The Exchange does not intend this paragraph to relieve
him of the obligation, when he does not receive a report, to request a report as soon as he
reasonably should expect to have received it.

(viii) Prior to the time a transaction in an issue within the Intermarket Trading System in which no
Dealer is registered by the Exchange is consummated, the best ITS System bid or offer at the
quoted size, as shown on the montage display system, must be satisfied, if superior in price, by
the issuance of an ITS commitment to trade entered from the Exchange Floor. Transactions in
ITS Free List issues will be on a strict time priority basis as reflected by the timestamp which is
affixed upon receipt of the order. All transactions in Free List issues will be considered effective
subject to the review of the quote montage display. Therefore a Member who is in the process of
reviewing the quote display after having time-stamped his order may not be displaced by another
Member who enters an order while the process is in effect.

Supplementary Material: ...

.10 For the purposes of this rule, the market in a security is opened (or reopened) with either a
trade or quotation, if trades are being reported to the Consolidated Tape and quotes are being
disseminated to the Consolidated Quotation System.

Amended.
April 6, 1993.
September 8, 2000.
August 5, 2002

Section (4) Trade-Throughs and Locked Markets

(a) Definitions --

(1) A "trade-through", as that term is used in this Rule, occurs whenever a member on the
Exchange purchases a security traded through ITS (referred to in this Rule as "an ITS Security")
on the Exchange at a price which is higher than the price at which the security is being offered (or
sells such a security on the Exchange at price which is lower than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the offer (bid) then being displayed on the Floor from such other market center. The member described in the foregoing sentence is referred to in this Rule as the member who initiated a trade-through.

(2) A "third participating market center trade-through", as that term is used in this Rule, occurs whenever a member on the Exchange initiates the purchase of an ITS Security by sending a commitment to trade through the System and such commitment results in an execution at a price which is higher than the price at which the security is being offered (or initiates the sale of such a security by sending a commitment to trade through the System and such commitment results in an execution at a price which is lower than the price at which the security is being bid for) at the time of the purchase (or sale) in another ITS participating market center as reflected by the offer (bid) then being displayed on the Exchange from such other market center. The member described in the foregoing sentence is referred to in this Rule as the "member who initiated a third participating market center trade-through".

(3) A "locked market", as that term is used in this Rule, occurs whenever a bid for an ITS Security is made in an ITS participating market center at a price which equals or exceeds the price at which that security is being offered (or whenever an offer for such a security in an ITS participating market center is made at a price which equals or is less than the price at which that security is being bid for) at that time in another ITS participating market center as reflected by the offer (bid) then being displayed from such other market center. The bid or offer which results in the locked market is referred to in this Rule as the bid or offer which caused a locked market.

(b) **Trade-Throughs**

(1) When purchasing or selling, either as principal or agent, any ITS Security on the Exchange, members should avoid initiating a trade-through unless one or more of the provisions of paragraph (b)(3) below are applicable.

(2) Except as provided in paragraph (b)(3) below, if a trade-through occurs and a complaint thereof is received by the Exchange through the System from the party whose bid or offer was traded-through ("the aggrieved party"), then:

(A) if the member who initiated the trade-through and the member on the contra side of the transaction had each initiated the transaction while on the Floor for his own account or any account in which he has an interest, the transaction shall be deemed void and a cancellation thereof shall be reported through the consolidated last sale reporting system; or

(B) if the member who initiated the trade-through, or the member on the contra side of the transaction, was, or if both such members were, executing (in whole or in part) an order which originated from off the Floor (an "off-Floor order"), then (i) the member who initiated the trade-through shall satisfy, or cause to be satisfied, the bid or offer traded through in its entirety at the price of such bid or offer, or, if he elects not to do so, then (ii) the price of the transaction which constituted the trade-through shall be corrected to a price at which a trade-through would not have occurred and the price correction shall be reported through the consolidated last sale reporting system.

Whenever the provisions of paragraph (b)(2)(B) apply, the off-Floor order or portion thereof which was executed in the transaction which constituted the trade-through (whether such order or portion thereof was executed by the member who initiated the trade-through or by the member on the contra side of the transaction, or both) shall receive the price which caused the trade-through, or the price at which the bid or offer traded-through was satisfied, if it was satisfied, pursuant to clause (i) of this paragraph (b)(2)(B), or the adjusted price, if there was an adjustment, pursuant to clause (ii) of this paragraph (b)(2)(B), whichever price is most beneficial to the order or portion.
Money differences resulting from this paragraph (b)(2)(B) shall be the liability of the member who initiated the trade-through.

(3) The provisions of paragraph (b)(2) above shall not apply under the following conditions:

(A) the size of the bid or offer that was traded-through was for 100 shares;

(B) the member who initiated the trade-through was unable to avoid the trade-through because of a systems/equipment failure or malfunction;

(C) the transaction which constituted the trade-through was not a "regular way" contract;

(D) the trade-through occurred during a period when, with respect to the ITS Security which was the subject of the trade-through, members on the Exchange were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1; provided, however, that, unless the provisions of this paragraph (b)(3) (other than those of this subparagraph (D)) apply, during any such period members shall make every reasonable effort to avoid trading-through any bid or offer displayed on the Floor from another ITS participating market center whose members are not relieved of their obligations under said paragraph (c)(2) with respect to such bid or offer;

(E) the bid or offer that was traded-through was being displayed from a market center whose members were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 with respect to such bid or offer;

(F) the bid or offer that was traded-through had caused a locked market in the ITS Security which was the subject of such bid or offer;

(G) a complaint with respect to the trade-through was not received by the Exchange through the System from the aggrieved party promptly following the trade-through and, in any event, within five (5) minutes from the time the report of the transaction which constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system; or

(H) in the case of a third participating market-center trade-through, either;

(i) the member who initiated the trade-through (a) had sent a commitment to trade promptly following the trade-through that satisfies the bid or offer traded-through and (b) preceded the commitment with an administrative message stating that the commitment was in satisfaction of a third participating market center trade-through, or

(ii) a complaint with respect to the trade-through was not received by the Exchange through the System from the aggrieved party promptly following the trade-through, and, in any event, within ten (10) minutes from the time the aggrieved party sent a complaint through the system to the ITS participating market center that received the commitment to trade that caused the trade-through, which first complaint must have been received within five (5) minutes from the time the report of the transaction that constituted the trade-through was disseminated over the high speed line of the consolidated last sale reporting system.

(c) Responsibility to Respond Promptly to Trade-Through Complaints --

(1) When a trade-through complaint is received by the Exchange, it shall be the duty of the member who initiated the trade-through to respond as promptly as practicable to the aggrieved party. Such a response shall notify the aggrieved party either

(i) that one of the conditions specified in paragraph (b)(3) of this Rule is applicable (specifying the particular condition), or
(ii) that the complaint is valid and appropriate corrective action is being taken pursuant to paragraph (b)(2) above.

(2) Any member who is an aggrieved party under the trade-through rule of another ITS participating market center may at any time at his discretion take steps to establish and mitigate any loss he might incur as a result of the trade-through of his bid or offer. If so, he shall give prompt notice to such other market center of any such action.

(3) If it is ultimately determined that there was a trade-through, that the action required by either paragraph (b)(2)(A) or (b)(2)(B) above was not taken, and that none of the provisions of paragraph (b)(3) above was applicable, the member who initiated the trade-through shall be liable to the aggrieved party for the lesser of (i) the amount of the actual loss proximately caused by the trade-through and suffered by the aggrieved party, or (ii) the loss proximately caused by the trade-through that would have been suffered by the aggrieved party had he purchased or sold the security subject to the trade-through so as to mitigate his loss and had such purchase or sale been effected at the "loss basis price". For purposes of this paragraph the "loss basis price" shall be the price of the next transaction, as reported by the high speed line of the consolidated last sale reporting system, in the security in question, after one hour has elapsed from the time the complaint is received by the Exchange (or, if the complaint is so received within the last hour of trading on the Exchange on any day, then the price of the opening transaction in such security on the Exchange on the next day on which the Exchange trades that security).

(d) Locked Markets --

(1) (A) Except as provided in paragraphs (d)(1)(B) and (d)(2) below, if a locked market occurs and the Exchange receives a complaint through the System from the party whose bid (offer) was locked (the "aggrieved party"), the member responsible for the locking offer (bid) (the "locking member") shall, as specified in the complaint, either promptly "ship" (i.e., satisfy through the System the locked bid (offer) up to the size of his locking offer (bid)) or "unlock" (i.e., adjust his locking offer (bid) so as not to cause a locked market). If the complaint specifies "unlock", he may nevertheless ship instead.

(B) If there is an error in a locking bid or offer that relieves the locking member from his obligations under paragraph (c)(2) of Rule 11Ac1-1 and if the Exchange receives a "ship" complaint through the System from the aggrieved party, the locking member shall promptly cause the quotation to be corrected and, except as provided in paragraph (d)(2) below, he shall notify the aggrieved party through the System of the error within two minutes of receipt of the complaint on the Floor. If the locking member fails to so notify the aggrieved party, he shall promptly ship.

(2) Paragraph (d)(1) above shall not apply under the following conditions:

(A) the locked bid or offer was for 100 shares;

(B) the locking bid or offer no longer prevails on the Floor at the time the complaint is received on the Floor;

(C) the rules of the Exchange would prohibit the issuance of a commitment to trade to satisfy the locked bid or offer;

(D) the locking member makes every reasonable effort to comply with paragraph (d)(1) above, but is unable to comply because of a systems/equipment failure or malfunction;

(E) the locking bid or offer was not for a "regular way" contract; or

(F) the locked market occurred at a time when, with respect to the affected ITS security, members either on the Exchange or in the ITS participating market center in which the aggrieved member
is located were relieved of their obligations under paragraph (c)(2) of Rule 11Ac1-1 pursuant to the "unusual market" exception of paragraph (b)(3) of Rule 11Ac1-1.

Supplementary Material: ...

11. Nothing in paragraph (d)(2)(B) above is intended to discourage a locking member from electing to ship if the complaint requests him to do so.

(e) The provisions of this Section shall not apply to (1) purchases and sales effected by members participating in the opening (or re-opening) transaction on the Exchange in an ITS Security, or (2) any block trade involving not less than 10,000 shares of an ITS Security or a quantity of such a security having a market value of $200,000 or more, or any portion of such a block trade, on the Exchange.

(f) The quotation of any dealer who utilizes an automated quotation tracking system shall not be for more than 100 shares.

Supplementary Material: ...

(1) No member shall buy against a commitment or obligation to sell designated as "short" which is received on the Floor through ITS or any other Application of the System if the resulting transaction would violate the short selling rules as in effect on the Exchange.

(2) Any purchase or sale against a commitment to trade received on the Floor through ITS shall be effected in accordance with the rules applicable to the making of bids, offers and transactions on the Floor.

(3) As used in this Rule the term "System Transaction" shall mean any purchase or sale of a security which results from the acceptance of a commitment or obligation to trade received on the Floor through ITS or the Pre-Opening Application or from the acceptance in another market of a commitment or obligation to trade sent from the Floor through ITS or the Pre-Opening Application. Every commitment to trade which is issued or accepted through ITS shall be entered into the system by the specialist or specialist unit in such security. When a member directly instructs a specialist to issue or accept a commitment to trade, such member, for the purpose of this rule is the "instructing member". Each System transaction shall be reported on the clearing tape generated by the System at the end of each trading day and such tape shall also identify one or more clearing members who will clear and settle each System Transaction. The member on the Floor who instructed the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the System Transaction reported on the clearing tape (the "instructing member") shall also be identified in Exchange records.

(A) Whenever any System Transaction as reported by the clearing tape continues to be unresolved at the close of the second business day following the trade date, notwithstanding the routine comparison procedures employed by the clearing agency to which such System Transaction was reported, the Exchange shall be notified of the uncompared System Transaction so as to be able to conduct appropriate inquiries on the Floor. The instructing member shall cooperate with the Exchange in the course of its on-Floor inquiries and shall comply with such procedures as the Exchange may from time to time prescribe in an attempt to identify the member or member organization who knows the uncompared System Transaction. If the on-Floor inquiries conducted by the Exchange fail to identify the member or member organization who knows the uncompared System Transaction, but the inquiries confirm to the satisfaction of the Exchange that Exchange records were accurate in their identification of the instructing member,
and that the instructing member did instruct the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the uncompared System Transaction as included on the clearing tape, then the instructing member shall accept and honor the transaction or shall cause a member organization to do so in his behalf.

If the on-Floor inquiries conducted by the Exchange identify to the satisfaction of the Exchange, a member, other than the instructing member, as the person who instructed the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the uncompared System Transaction as included on the clearing tape, then such other member shall accept and honor the transaction or shall cause a member organization to do so in his behalf.

If the on-Floor inquiries conducted by the Exchange fail to identify the member or member organization who knows the uncompared System Transaction, and also fail to satisfy the Exchange as to the identity of the member who instructed the specialist or specialist unit to issue or accept the commitment or obligation to trade which resulted in the uncompared System Transaction as included on the clearing tape, then the specialist or specialist unit which entered or accepted a commitment or obligation to trade which resulted in the uncompared System Transaction on the clearing tape shall accept and honor the transaction and shall proceed to take all proper steps to establish and mitigate any loss resulting therefrom.

(B)(a) No claim against a specialist or specialist unit which arises as to errors or omissions resulting in loss suffered by a member which are found to have resulted from any failure by a member (whether or not such member is a party to the claim) to place or cancel an instruction clearly and accurately with the specialist or specialist unit on a timely basis, or to communicate clearly and accurately in writing to the specialist or specialist unit.

In addition, no claim shall be allowed if, in the opinion of the arbitration panel provided for in subparagraph (c) of this paragraph (B), the member making such claim did not take promptly, upon discovery of the error or omission, all proper steps to correct such error or omission and to establish and mitigate the loss resulting therefrom.

Further, it shall be the responsibility of the member or member organization who places an instruction with the specialist or specialist unit to keep abreast of the status of that instruction. No claim shall be allowed which is based on a member's assertion that he was not made aware of the status of his instruction and thus failed to take further appropriate action.

(b) Any claim for loss arising from errors or omissions of a specialist or specialist unit shall be presented in writing to the Exchange no later than the opening of trading on the next business day following the day on which the error or omission giving rise to the loss occurred or within such longer period as the Exchange shall consider equitable under the circumstances.

(c) All disputed claims shall be referred for binding arbitration to an arbitration panel and the decision of a majority of the arbitrators selected to hear and determine the controversy shall be final and there shall be no appeal to the Board of Governors from the decision of such panel. The arbitration panel shall be composed of an odd number of panelists. Each of the parties to the dispute shall select one member or allied member to serve as panelist on the arbitration panel. The panelists so selected shall then select one or more additional panelist(s); provided that the additional panelist(s) so selected are either members or allied members of the Exchange, and provided further that no member of the arbitration panel may be a person with a direct or indirect financial interest in the claim. In the event that the initial panelists selected by the parties to the dispute cannot agree on the selection of the additional panelist or panelists, as the case may be, then in that event such additional panelist(s) shall be appointed by a Floor Governor who has no direct or indirect financial interest in the claim. Each party to the dispute may make oral and written submissions and present witnesses to the arbitration panel.

(C) Whenever a clearing agency to which a System Transaction has been reported excludes
such System Transaction from the clearance procedures conducted by such agency, either
because such agency ceases to act (either with respect to transactions generally or as to a
particular transaction) for a member or member organization, or because of the insolvency of
such member or member organization, the Exchange may, but shall not be obligated to, assume
and honor any one or more or all of such excluded System Transactions for the account of and
on behalf of the member or member organization for which the clearing agency ceased to act or
which is insolvent and the Exchange may take such action in the market to close out or offset its
position as it may deem appropriate. In any such case, the Exchange shall have a claim against
such member or member organization in the amount of the loss incurred by the Exchange as a
result of such assumption of such excluded System Transaction(s). The Exchange may assert
such claim against such member or member organization in any appropriate forum and, without
limiting the generality of the foregoing, in connection with the transfer of any membership by such
member, or by any member who is a general partner of or a holder of voting stock of such
member organization, such claim shall be entitled to priority in payment as a sum due the
Exchange under the provisions of Section 4 of Article XIII of the Constitution.

(4) A market or limited price order which is to be executed in whole or in part as soon as such
order is represented in the Trading Crowd, and the portion not so executed is to be treated as
cancelled. For the purposes of this definition, a "stop" is considered an execution.

A "commitment to trade" received on the Floor through ITS shall be treated in the same manner,
and entitled to the same privileges, as would an immediate or cancel order that reaches the Floor
at the same time except as otherwise provided in the Plan and except further that such a
commitment may not be "stopped" and the commitment shall remain irrevocable for the time
period chosen by the sender of the commitment.

(5) The Market Performance Committee shall have power to supervise and regulate active
openings, and unusual situations that may arise in connection with the making of bids, offers or
transactions on the Floor. The Market Performance Committee shall have power also to
supervise and regulate the operation of ITS or any other Application of the System during active
openings and unusual situations.

(6) The recognized quotations shall be public bids and offers in lots of one trading unit or
multiples thereof. Bids and offers in other market centers which may be displayed on the Floor for
the purposes of ITS or other purposes shall have no standing in the trading crowds on the Floor.

(7)(a) Whenever a specialist effects a principal purchase of a specialty stock, in another
participating market center through ITS, at or above the price at which he holds orders to sell that
stock, such orders which remain unexecuted on the Floor must be filled by the specialist buying
the stock for his own account, at the same price at which he effected his principal transaction
through ITS unless, effecting such a principal transaction on the Floor, at that price, would (a) be
inconsistent with the maintenance of fair and orderly markets; or (b) result in the election of stop
orders.

(b) Whenever a specialist effects a principal sale of a specialty stock, in another participating
market center through ITS, at or below the price at which he holds orders to buy that stock, such
orders which remain unexecuted on the Floor must be filled by the specialist by selling the stock
for his own account, at the same price at which he effected his principal transaction through ITS
subject to the same conditions as set forth in 7(a) above and provided further that effecting such
a principal transaction on the Floor, at that price, would not be precluded by the short selling
rules; or would not result in a sale to a stabilizing bid.

(c) Whenever a specialist effects a principal purchase (sale) of a specialty stock, in another
participating market center through ITS, at or above (at or below) the price at which he holds
orders to sell (buy) that stock, such orders which remain unexecuted on the Floor must be filled
by the specialist by buying (selling) the stock for his own account, at the same price at which he
effected his principal transaction through ITS subject to the same conditions as set forth in subparagraphs 7(a) and (b) above.

(8) A member acting as a specialist shall supply information relating to limit orders held by such member as provided for in the Plan for ITS. The Plan, as currently in effect, provides as follows:

With respect to limit orders held by any specialist or any Participant in any stock traded through ITS, the rules of each Participant shall provide that, so long as the off-board trading rules of such Participant as in effect on the date the Plan is filed with the SEC remain in effect, such specialist will on request and to the extent practicable supply the specialist(s) registered in such stock or any other Participant with information relating to such limit orders. The sharing of such information following any removal of the current off-board trading rules will be dependent upon implementation of necessary equal regulation of all market makers in all markets coupled with adequate surveillance procedures.

(9)(a) When a specialist receives a pre-opening response from another specialist in another market center (the other specialist) pursuant to the Pre-Opening Application (as that term is defined in this chapter) and that response indicates that the other specialist has an interest in participating in the opening transaction as principal, such interest of the other specialist shall not have preference over public orders. The manner and extent to which the other specialist may participate as principal in the opening transaction shall be as set forth in the provisions of the Plan covering the Pre-Opening Application.

(b) The member who leaves such an order with the specialist should, as promptly as possible after the opening of the stock, return to the Post. The specialist must retain the order slip and advise the member as to the broker and the name given up on the opposite side of the transaction. The member should proceed as promptly as possible to confirm the transaction with the broker on the opposite side.

(10) A member who executes on the Exchange, a block trade, in an ITS Security, at a clean-up price outside the "best" quotation for the security displayed by any ITS participating exchange, shall, upon executing the block trade on the Exchange, send to each participating exchange displaying a bid or offer (as the case may be) superior to the clean-up price, a commitment to trade, at the clean-up price, to satisfy the number of shares displayed in that market center's bid or offer.

For purposes of this policy, a block trade shall be a trade involving at least 10,000 shares, or a quantity of stock having a market value of at least $200,000.

This policy shall supersede the provisions of Chapter XXXI Sec. 4(a)(1) and any other rule which might be construed as being inconsistent with this policy.

The term "displayed bid or offer" referred to above is the current quotation disseminated by an ITS exchange and does not refer to "away-from-the-market" limit orders.

(11)(a) The terms “trade through” and “third participating market center trade-through” do not include the situation where a member who initiated the purchase (sale) of an ITS security at a price which is higher(lower) than the price at which the security is being offered(bid) in another ITS participating market, contemporaneously sends through ITS to such ITS participating market a commitment to trade at such offer(bid) price or better and for at least the number of shares displayed with that market center's better-priced offer(bid); and

(b) a trade-through complaint sent in these circumstances is not valid, even if the commitment sent in satisfaction cancels or expires, and even if there is more stock behind the quote in the other market
Section (5) Trade Adjustments-

In accordance with Section (1)(a)(ii), the ICC will adjust trades (as to price, share size, buy or sell side, to cancel a trade or to insert a trade "as-of" a prior day) according to the procedures specified below. All requests for trade adjustments shall be in the form of administrative messages sent through the System. All such messages shall emanate only from an Exchange ITS supervisor ("supervisor"), who shall be appointed by the Market Performance Committee.

(i) For adjustments on trade day, if the Exchange is the executing market of a commitment to trade, the supervisor shall send an administrative message through the system to ICC requesting and authorizing the trade adjustment, and specifying the terms thereof. Such request shall not be made until the supervisor receives an administrative message from the issuing market supervisor agreeing to the terms of, and authorizing the request for, the adjustment. Conversely, if the Exchange is the issuing market of a commitment to trade, and the executing market supervisor is seeking a trade adjustment to which the Exchange supervisor consents, the Exchange supervisor shall send an administrative message through ITS to the terms of, and authorizing the request for, the adjustment.

(ii) For adjustments for prior trade day, both the executing and issuing market supervisors must send administrative messages directly to the ICC, both detailing the same terms of, and authorization for, the adjustment.

(iii) An administrative message from the ICC confirming any adjustments will be sent to both the issuing and executing markets following each adjustment.

Adopted.


Chapter XXXII – Arbitration

SEC. 1. Arbitration Code
(a) Members --Except as provided in subparagraph (c)(1) below, any controversy between parties who are members, allied members, member firms or member corporations arising out of the business of such member, allied member, member firm or member corporation, or the dissolution of a member firm or member corporation, shall at the instance of any such party, be submitted for arbitration, in accordance with the provisions of the Rules of the Board of Governors.

(b) Customers or Non-Members --Except as provided in subparagraph (c)(1) below, any dispute, claim or controversy between a customer or non-member and a member, allied member, member organization and/or associated person arising in connection with the business of such member, allied member, member organization and/or associated person in connection with his activities as an associated person shall be arbitrated in accordance with the Rules of the Board of Governors as provided by any duly executed and enforceable written agreement or upon the demand of the customer or non-member.

(c) Jurisdiction --Under this Code, the Boston Stock Exchange, Inc. ("Exchange") shall have the right to decline the use of its arbitration facilities in any dispute, claim or controversy, where having due regard for the purposes of the Exchange, and the intent of this Code such dispute, claim or controversy is not a proper subject matter for arbitration.

(1) A claim alleging employment discrimination, including any sexual harassment claim, in violation of a statute shall be eligible for arbitration only where the parties have agreed to arbitrate the claim after it has arisen.

Amended.


SEC. 2.

Simplified Arbitration

(a) Limitation --Any dispute, claim or controversy, arising between a public customer(s) and an associated person, member, allied member or member organization, subject to arbitration under the Rules of the Board of Governors involving a dollar amount not exceeding $10,000, exclusive of attendant costs and interest, shall be arbitrated as hereinafter provided.

(b) Statement of Claim --The Claimant shall file with the Director of Arbitration an executed Submission Agreement and a copy of the Statement of Claim of the controversy in dispute and the required deposit, together with documents in support of the claim. Sufficient copies of the Submission Agreement, the Statement of Claim and supporting documents shall be provided to the Director of Arbitration for each party and the arbitrator. The Statement of Claim shall specify the relevant facts, the remedies sought and whether or not a hearing is demanded.

(c) Fees --The Claimant shall pay a filing fee and remit a hearing deposit as specified in Section 30 of this Code upon filing of the Submission Agreement. The final disposition of the sum shall be determined by the arbitrators.

(d) Answer, Defenses and Claims --The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the Respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim. Within twenty (20) calendar days from receipt of the Statement of Claim, Respondent(s) shall serve each party with an executed Submission Agreement and a copy of Respondent's Answer. Respondent's executed Submission Agreement
and Answer shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s), along with any deposit required under the schedule of fees. The Answer shall designate all available defenses to the Claim and may set forth any related Counterclaim and/or related Third Party Claim the Respondent(s) may have against the Claimant or any other person. If the Respondent(s) has interposed a Third Party Claim, the Respondent(s) shall serve the Third Party Respondent with an executed Submission Agreement, a copy of Respondent's Answer containing the Third Party Claim, and a copy of the original Claim filed by the Claimant. A copy of the Third Party Claim shall be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s). The Third Party Respondent shall respond in the manner herein provided for response to the Claim. If the Respondent(s) files a related Counterclaim exceeding $10,000, the arbitrator may refer the Claim, Counterclaim and/or Third Party Claim, if any, to a panel of no less than three (3) arbitrators in accordance with Section 8 of this Code or he may dismiss the Counterclaim and/or Third Party Claim without prejudice to the Counterclaimant(s) and/or Third Party Claimant(s) pursuing the Counterclaim and/or Third Party Claim in a separate proceeding. The costs to the Claimant under either proceeding shall in no event exceed the total amount specified in Section 30.

(e) Service -- All parties shall serve promptly by mail or otherwise on all other parties and the Director of Arbitration, with sufficient additional copies for the arbitrators, a copy of the Answer, Counterclaim, Third Party Claim or other responsive pleading, if any. The Claimant, if a Counterclaim is asserted against him, shall within ten (10) calendar days either: (i) serve on each party and on the Director of Arbitration with sufficient additional copies for the arbitrator(s) a reply to any Counterclaim, or (ii) if the amount of the Counterclaim exceeds the Claim, have the right to file a statement withdrawing the Claim. If the Claimant withdraws the Claim, the proceedings will be discontinued without prejudice to the rights of the parties.

(f) Hearing Option --The dispute, claim or controversy shall be submitted to a single public arbitrator knowledgeable in the securities industry selected by the Director of Arbitration. Unless the public customer demands or consents to a hearing, or the arbitrator(s) calls a hearing, the arbitrator shall decide the dispute, claim or controversy solely upon the pleadings and evidence filed by the parties. If a hearing is necessary, such hearing shall be held as soon as practicable at a locale selected by the Director of Arbitration.

(g) Extension of Time --The Director of Arbitration may grant extensions of time to file any pleading upon a showing of good cause.

(h) Submission and Production of Documents --

(1) The arbitrator shall be authorized to require the submission of further documentary evidence as he, in his sole discretion, deems advisable.

(2) If a hearing is demanded in accordance with Section 2(f) the general provisions governing a pre-hearing proceeding under Section 20 shall apply.

(3) If no hearing is demanded, all requests for document production shall be submitted in writing to the Director of Arbitration within 10 business days of the notification of the identity of the arbitrator selected to decide the case. The requesting party shall serve simultaneously its request for document production on all parties. Any response or objections to the requested document production shall be served on all parties and filed with the Director of Arbitration within ten (10) business days of receipt of the requests for production. The selected arbitrator shall resolve all requests under this section on the papers submitted.

(4) In his discretion, the arbitrator may, at the request of any party, permit such party to submit additional documentation relating to the pleadings.

(i) Additional Arbitrators --Upon the request of the arbitrator, the Director of Arbitration shall
appoint two (2) additional arbitrators to the panel which shall decide the matter in controversy.

(1) In any case where there is more than one (1) arbitrator, the majority will be public arbitrators.

(j) Except as otherwise provided herein, the general arbitration rules of the Boston Stock Exchange, Inc. shall be applicable to proceedings instituted under this Code.

Amended.


SEC. 3. Hearing Requirement --Waiver of Hearing

(a) Any dispute, claim or controversy, except as provided in Section 2 (Simplified Arbitration), shall require a hearing unless all parties waive such hearing in writing and request that the matter be resolved solely upon the pleadings and documentary evidence.

(b) Notwithstanding a written waiver of a hearing by the parties, a majority of the arbitrators may call for and conduct a hearing. In addition, any arbitrator may request the submission of further evidence.

Amended.


SEC. 4. Time Limitation Upon Submission

No dispute, claim or controversy shall be eligible for submission to arbitration under this Code where six (6) years shall have elapsed from the occurrence or event giving rise to the act or the dispute, claim or controversy. This section shall not extend applicable statutes of limitations, nor shall it apply to any case which is directed to arbitration by a court of competent jurisdiction.

Amended.


SEC. 5. Dismissal of Proceedings

At any time during the course of an arbitration, the arbitrators may either upon their own initiative or at the request of a party, dismiss the proceeding and refer the parties to the remedies provided by law. The arbitrators shall upon the joint request of the parties dismiss the proceedings.

Amended.

SEC. 6. Settlements

All settlements upon any matter submitted shall be at the election of the parties.

Amended.


SEC. 7. Tolling of Time Limitation(s) for the Institution of Legal Proceedings and Extension of Time Limitation(s) for Submission to Arbitration

(a) Tolling --Where permitted by law, the time limitation(s) which would otherwise run or accrue for the institution of legal proceedings, shall be tolled when a duly executed Submission Agreement is filed by the claimant(s). The tolling shall continue for such period as the Exchange shall retain jurisdiction upon the matter submitted.

(b) Legal Proceeding --The six (6) year time limitation upon submission to arbitration shall not apply when the parties have submitted the dispute, claim or controversy to a court of competent jurisdiction. The six (6) year time limitation shall not run for such period as the court shall retain jurisdiction upon the matter submitted.

Amended.


SEC. 8. Designation of Number of Arbitrators

(a) Composition of Panels --(1) In all arbitration matters involving public customers, and non-members, where the matter in controversy exceeds $10,000, or where the matter in controversy does not involve or disclose a money claim, the Director of Arbitration shall appoint an arbitration panel which shall consist of no less than three (3) arbitrators, at least a majority of whom shall not be from the securities industry unless the public customer or non-member requests a panel consisting of at least a majority from the securities industry.

(2) Industry Panelist --An arbitrator will be deemed as being from the securities industry if he or she:

i. is a person associated with a member, or, broker/dealer, government securities broker, government securities dealer, municipal securities dealer, or registered investment adviser, or

ii. has been associated with any of the above within the past five (5) years, or

iii. is retired from or spent a substantial part of his or her business career in any of the above, or

iv. is an attorney, accountant or other professional who devoted twenty (20) percent or more of his or her professional work effort to securities industry clients within the last two (2) years.

(3) Public Panelist --An arbitrator who is not from the securities industry shall be deemed a
A person will not be classified as a public arbitrator if he or she has a spouse or other member of the household who is a person associated with a registered broker, dealer, municipal securities dealer, government securities broker, government securities dealer or investment adviser.

(b) Selection of Panels -- The individuals who shall serve on a particular arbitration panel shall be determined by the Director of Arbitration. The Director of Arbitration may name the chairman of each panel.

**Amended.**


June 18, 1986.


**SEC. 9. Notice of Selection of Arbitrators**

The Director of Arbitration shall inform the parties of the names and employment histories of the arbitrators for the past ten years, as well as information disclosed pursuant to Section 11 of this Code at least eight (8) business days prior to the date fixed for the initial hearing session. A party may make further inquiry of the Director of Arbitration concerning an arbitrator's background. In the event that any arbitrator, after appointment and prior to the first hearing session, should resign, die, withdraw, be disqualified or otherwise be unable to perform as an arbitrator, the Director of Arbitration shall appoint a new member to the panel to fill any vacancy. The Director of Arbitration shall inform the parties of the name and employment history of the replacement arbitrator for the past ten years, as well as information disclosed pursuant to Section 11 as soon as possible. A party may make further inquiry of the Director of Arbitration concerning the background of the replacement arbitrator and within the time remaining prior to the first hearing session or the five (5) day period provided under Section 10, whichever is shorter, may exercise its right to challenge the replacement arbitrator as provided in Section 10.

**Amended.**


**SEC. 10. Peremptory Challenge**

In any arbitration proceeding, each party shall have the right to one peremptory challenge. In arbitrations where there are multiple claimants, respondents and/or third party respondents, the claimants shall have one peremptory challenge, the respondents shall have one peremptory challenge and the third party respondents shall have one peremptory challenge, unless the Director of Arbitration determines that the interests of justice would best be served by awarding additional peremptory challenges. Unless extended by the Director of Arbitration, a party wishing to exercise a peremptory challenge must do so by notifying the Director of Arbitration in writing within five (5) business days of notification of the identity of the persons named to the panel. There shall be unlimited challenges for cause.

**Amended.**


SEC. 11.  

Disclosures Required of Arbitrators

(a) Required Disclosure --Each arbitrator shall be required to disclose to the Director of Arbitration any circumstances which might preclude such arbitrator from rendering an objective and impartial determination. Each arbitrator shall disclose:

(1) Any direct or indirect financial or personal interest in the outcome of the arbitration;

(2) Any existing or past financial, business, professional, family or social relationships which are likely to affect impartiality or which might reasonably create an appearance of partiality or bias. Persons requested to serve as arbitrators should disclose any such relationships which they personally have with any party or its counsel, or with any individual whom they have been told will be a witness. They should also disclose any such relationship involving members of their families or their current employers, partners or business associates.

(b) Obligation to Inform --Persons who are requested to accept appointment as arbitrators should make a reasonable effort to inform themselves of any interests or relationships described in subsection (a) above.

(c) Continuing Duty --The obligation to disclose interests, relationships, or circumstances which might preclude an arbitrator from rendering an objective and impartial determination described in subsection (a) hereof is a continuing duty which requires a person who accepts appointment as an arbitrator to disclose, at any stage of the arbitration, any such interests, relationships, or circumstances which arise, or which are recalled or discovered.

(d) Removal Authority --Prior to the commencement of the first hearing session, the Director of Arbitration may remove an arbitrator based on information disclosed pursuant to this section. The Director of Arbitration shall also inform the parties of any information disclosed pursuant to this section, if the arbitrator who disclosed the information is not removed.

Amended.


SEC. 12.  

Disqualification or Other Disability or Arbitrators

In the event that any arbitrator, after the commencement of the first hearing session and prior to the rendition of the award, should resign, die, withdraw, be disqualified or otherwise be unable to perform as an arbitrator, the remaining arbitrator(s) may continue with the hearing and determination of the controversy, unless such continuation is objected to by any party within five (5) days of notification of the vacancy on the panel. Upon objection, the Director of Arbitration shall appoint a new member to the panel to fill the vacancy. The Director of Arbitration shall inform the parties as soon as possible of the name and employment history for the past ten (10) years of the replacement arbitrator, as well as information disclosed pursuant to Section 11. A party may make further inquiry of the Director of Arbitration concerning the replacement arbitrator’s background and within the time remaining prior to the next scheduled hearing session or the five (5) day period provided under Section 10, whichever is shorter, may exercise its right to challenge the replacement arbitrator as provided in Section 10.
Amended.


SEC. 13. Initiation of Proceedings

Except as otherwise provided herein, an arbitration proceeding under this Code shall be instituted as follows:

(a) Statement of Claim -- The Claimant shall file with the Director of Arbitration an executed Submission Agreement, a Statement of Claim together with documents in support of the claim and required deposit. Sufficient additional copies of the Submission Agreement and the Statement of Claim and supporting documents shall be provided to the Director of Arbitration for each party and each arbitrator. The Statement of Claim shall specify the relevant facts and the remedies sought. The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the Respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim.

(b) Service and Filing with the Director of Arbitration -- For purposes of the Code of Arbitration, service may be effected by mail or other means of delivery. Service and filing are accomplished on the date of mailing with first-class postage pre-paid or by means of overnight mail service, on the date of delivery. Filing with the Director of Arbitration shall be made on the same date as service.

(c) Answer, Defenses, Counterclaims and/or Cross Claims --

(1) Answers -- Within twenty (20) business days from receipt of the Statement of Claim, the Respondent(s) shall serve each party with an executed Submission Agreement and a copy of Respondent's Answer. An executed Submission Agreement and Answer of the Respondent(s) shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s), along with any deposit required under the schedule of fees. The Answer shall specify all available defenses and the relevant facts that will be relied upon at the hearing and may set forth any related Counterclaim the Respondent(s) may have against the Claimant, any Cross-Claim the Respondent(s) may have against any other named Respondent(s) and any Third Party Claim against any other party or person upon any existing dispute, claim or controversy subject to arbitration under this Code.

(2) Defenses --

(i) A Respondent, Responding Claimant, Cross-Claimant, Cross-Respondent or Third Party Respondent who pleads only a general denial as an answer may, upon objection by a party, in the discretion of the arbitrators, be barred from presenting any facts or defenses at the time of the hearing.

(ii) A Respondent, Responding Claimant, Cross-Claimant, Cross-Respondent, or Third Party Respondent who fails to specify all available defenses and relevant facts in such party's answer may, upon objection by a party, in the discretion of the arbitrators, be barred from presenting such facts or defenses not included in such party's answer at the hearing.

(iii) A Respondent, Responding Claimant, Cross-Claimant, Cross-Respondent, or Third Party Respondent who fails to file an answer within twenty (20) business days from receipt of service of a claim, unless the time to answer has been extended pursuant to subsection (5), may, in the discretion of the arbitrators, be barred from presenting any matter, arguments or defenses at the hearing.
(3) Third-Party Claims -- Respondent(s) shall serve each party with a copy of any Third Party Claim. The Third Party Claim shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s), along with any deposit required under the schedule of fees. Third Party Respondent(s) shall respond in the manner provided for response to the Claim, as provided in (1) and (2) above.

(4) Counter Claims -- The Claimant shall serve each party with a reply to a Counterclaim within ten (10) business days of receipt of an Answer containing a Counterclaim. The reply shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s).

(5) Extension of Time -- The Director of Arbitration may extend any time period in this section whether such be denominated as a Claim, Answer, Counterclaim, Cross-Claim, Reply, or Third-Party pleading.

(d) Joint and Consolidation -- Multiple Parties

(1) Permissive Joinder. All persons may join in one action as claimants if they assert any right to relief jointly, severally, or arising out of the same transaction, occurrence or series of transactions or occurrences and if any questions of law or fact common to all these claimants will arise in the action. All persons may be joined in one action as respondents if there is asserted against them jointly or severally, any right to relief arising out of the same transaction, occurrence, or series of transactions or occurrences and if any questions of law or fact common to all respondents will arise in the action. A claimant or respondent need not assert rights to or defend against all the relief demanded. Judgment may be given for one or more of the claimants according to their respective rights to relief, and against one or more respondents according to their respective liabilities.

(2) In arbitrations where there are multiple Claimants, Respondents and/or Third Party Respondents, the Director of Arbitration shall be authorized to determine preliminarily whether such parties should proceed in the same or separate arbitrations. Such determination will be considered subsequent to the filing of all responsive pleadings.

(3) The Director of Arbitration shall be authorized to determine preliminarily whether claims filed separately are related and shall be authorized to consolidate such claims for hearing and award purposes.

(4) Further determinations with respect to joining, consolidation and multiple parties under this subsection may be made by the arbitration panel and shall be deemed final.

Amended.


June 18, 1986.


SEC. 14.

Designation of Time and Place of Hearing

The time and place for the initial hearing shall be determined by the Director of Arbitration and each hearing thereafter by the arbitrators. Notice of the time and place for the initial hearing shall be given at least eight (8) business days prior to the date fixed for the hearing by personal service, registered or certified mail to each of the parties unless the parties shall, by their mutual
consent, waive the notice provisions under this section. Notice for each hearing, thereafter, shall be given as the arbitrators may determine. Attendance at a hearing waives notice thereof.

Amended.

SEC. 15. Representation by Counsel

All parties shall have the right to representation by counsel at any stage of the proceedings.

Amended.

SEC. 16. Attendance at Hearings

The attendance or presence of all persons at hearings including witnesses shall be determined by the arbitrators. However, all parties to the arbitration and their counsel shall be entitled to attend all hearings.

Amended.

SEC. 17. Failure to Appear

If any of the parties, after due notice, fails to appear at a hearing or at any continuance of a hearing session, the arbitrators may, in their discretion, proceed with the arbitration of the controversy. In such cases, all awards shall be rendered as if each party had entered an appearance in the matter submitted.

Amended.

SEC. 18. Adjournments

(a) Authority --The arbitrators may, in their discretion, adjourn any hearing(s) either upon their own initiative or upon the request of any party to the arbitration.

(b) Adjournment Fee --A party requesting an adjournment after arbitrators have been appointed shall, if an adjournment is granted, deposit a fee equal to the initial deposit of hearing session fees for the first adjournment and twice the initial deposit of hearing session fees, not to exceed $1,000, for a second or subsequent adjournment requested by that party. The arbitrators may waive the deposit of this fee or in their awards may direct the return of the adjournment fee.

(c) Dismissal --Upon receiving a third request consented to by all parties for an adjournment, the
arbitrators may dismiss the arbitration without prejudice to the claimant filing a new arbitration.

Amended.

June 18, 1986.


SEC. 19. Acknowledgement of Pleadings

The arbitrators shall acknowledge to all parties present that they have read the pleadings filed by the parties.

Amended.


SEC. 20. General Provisions Governing Pre-Hearing Proceedings

(a) Requests for Documents and Information -- The parties shall cooperate to the fullest extent practicable in the voluntary exchange of documents and information to expedite the arbitration. Any request for documents or other information should be specific, relate to the matter in controversy, and afford the party to whom the request is made a reasonable period of time to respond without interfering with the time set for the hearing.

(b) Document Production and Information Exchange --

(1) Any party may serve a written request for information or documents ("information request") upon another party twenty (20) business days or more after service of the Statement of Claim by the Director of Arbitration or upon filing of the Answer, whichever is earlier. The requesting party shall serve the information request on all parties and file a copy with the Director of Arbitration. The parties shall endeavor to resolve disputes regarding an information request prior to serving an objection to the request. Such efforts shall be set forth in the objection.

(2) Unless a greater time is allowed by the requesting party, information requests shall be satisfied or objected to within thirty (30) calendar days from the date of service. Any objection to an information request shall be served by the objecting party on all parties and filed with the Director of Arbitration.

(3) Any response to objections to an information request shall be served on all parties and filed with the Director of Arbitration within ten (10) calendar days of receipt of the objection.

(4) Upon the written request of a party whose information request is unsatisfied, the matter will be referred by the Director of Arbitration to either a pre-hearing conference under subsection (d) of this section or to a selected arbitrator under subsection (e) of this section.

(c) Pre-Hearing Exchange -- At least ten (10) calendar days prior to the first scheduled hearing date, all parties shall serve on each other copies of documents in their possession that they intend to present at the hearing and identify witnesses they intend to present at the hearing. The arbitrator(s) may exclude from the arbitration any documents not exchanged or witnesses not identified at that time. This paragraph does not require service of copies of documents or identification of witnesses which parties may use for cross-examination or rebuttal.
(d) Pre-Hearing Conference

(1) Upon the written request of a party, an arbitrator, or at the discretion of the Director of Arbitration, a pre-hearing conference shall be scheduled. The Director of Arbitration shall set the time and place of a pre-hearing conference and appoint a person to preside. The pre-hearing conference may be held by telephone conference call. The presiding person shall seek to achieve agreement among the parties on any issues that relate to the pre-hearing process or to the hearing, including but not limited to the exchange of information, exchange or production of documents, identification of witnesses, identification and exchange of hearing documents, stipulations of fact, identification and briefing of contested issues, and any other matters which will expedite the arbitration proceedings.

(2) Any issues raised at the pre-hearing conference that are not resolved may be referred by the Director of Arbitration to a single public member of the Arbitration Panel for decision.

(e) Decisions by Selected Arbitrators -- The Director of Arbitration may appoint a single member of the Arbitration Panel to decide all unresolved issues referred to under this section. Such arbitrator shall be authorized to act on behalf of the panel to issue subpoenas, direct appearances of witnesses and production of documents, set deadlines and issue any other ruling which will expedite the arbitration proceeding or is necessary to permit any party to fully develop its case. Decisions under this subsection shall be made upon the papers submitted by the parties, unless the arbitrator calls a hearing. The arbitrator may elect to refer any issue under this subsection to the full panel. In any claim involving a public customer the Selected Arbitrator shall be a public arbitrator unless the public customer demands, in writing, a securities arbitrator.

(f) Subpoenas -- The arbitrator(s) and any counsel of record to the proceedings shall have the power of the subpoena process as provided by law. All parties shall be given a copy of the subpoena upon its issuance. The parties shall produce witnesses and present proofs to the fullest extent possible without resort to the subpoena process.

(g) Power to Direct Appearances and Production of Documents -- The arbitrator(s) shall be empowered without resort to the subpoena process to direct the appearance of any person employed or associated with any member or member organization of the Exchange, and/or the production of any records in the possession or control of such persons or members. Unless the arbitrators direct otherwise, the party requesting the appearance of a person or the production of documents under this section shall bear all reasonable costs of such appearance and/or production.

Amended.


SEC. 21.

Evidence

The arbitrators shall determine the materiality and relevance of any evidence proffered and shall not be bound by rules governing the admissibility of evidence.

Amended.


SEC. 22.  
Interpretation of Code

The arbitrators shall be empowered to interpret and determine the applicability of all provisions under this Code which interpretation shall be final and binding upon the parties.

Amended.

SEC. 23.  
Determination of Arbitrators

All rulings and determinations of the panel shall be by a majority of the arbitrators.

Amended.

SEC. 24.  
Record of Proceedings

A verbatim record by stenographic reporter or high quality tape recording of all arbitration hearings shall be kept. If a party or parties to a dispute elect to have the record transcribed, the cost of such transcription shall be borne by the party or parties making the request unless the arbitrations direct otherwise. The arbitrators may also direct that the record be transcribed. If the record is transcribed at the request of any party, a copy shall be provided to the arbitrators.

Amended.

SEC. 25.  
Oaths of the Arbitrators and Witnesses

Prior to the commencement of the first hearing session, an oath or affirmation shall be administered to the arbitrators. All testimony shall be under oath or affirmation.

Amended.

SEC. 26.  
Amendments

(a) Notice and Filing --After the filing of any pleading, if a party desires to file a new or different pleading, such change must be made in writing and filed with the Director of Arbitration. The Director of Arbitration shall endeavor to serve promptly by mail or otherwise upon all other parties a copy of said change. The other parties may, within ten (10) business days from the receipt of service, file a response with the Director of Arbitration.
(b) Limitations --After a panel has been appointed, no new or different pleading may be filed except for a responsive pleading as provided for in (a) above or with the panel's consent.

Amended.


SEC. 27.  

Reopening of Hearings

Where permitted by law, the hearings may be reopened by the arbitrators on their own motion or in the discretion of the arbitrators upon application of a party at any time before the award is rendered.

Amended.


SEC. 28.  

Awards

(a) Writing Required --All awards shall be in writing and signed by a majority of the arbitrators or in such manner as is required by law. Such awards may be entered as a judgment in any court of competent jurisdiction.

(b) Finality --Unless the law directs otherwise, all awards rendered pursuant to this Code shall be deemed final and not subject to review or appeal.

(c) Notification --The Director of Arbitration shall endeavor to serve a copy of the award: (i) by registered or certified mail upon all parties, or their counsel, at the address of record; or, (ii) by personally serving the award upon the parties; or, (iii) by filing or delivering the award in such manner as may be authorized by law.

(d) Rendition of Award --The arbitrator(s) shall endeavor to render an award within thirty (30) business days from the date the record is closed.

(e) Contents --The award shall contain the names of the parties, the name(s) of counsel, if any, a summary of the issues, including the types of any security or product, in controversy, the damages and/or other relief requested, the damages and/or other relief awarded, a statement of any other issues resolved, the names of the arbitrators, the dates the claim was filed and the award rendered, the number and dates of hearing sessions, the location of the hearing, and the signatures of the arbitrators concurring in the award.

(f) Public Availability --The awards shall be made publicly available, provided however, that the name of the customer party to the arbitration will not be publicly available if he or she so requests in writing.

(g) Award Payment and Interest --All monetary awards shall be paid within thirty (30) days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction, or unless the arbitrator(s) have specified a different time period for the payment of the award. An award shall bear interest from the date of the award: (i) if not paid within thirty (30) days of receipt, (ii) if the award is the subject of a motion to vacate which is denied, or (iii) as specified by the
arbitrator(s) in the award. Interest shall be assessed at the legal rate, if any, then prevailing in the state where the award was rendered, or at a rate set by the arbitrator(s).

Amended.


SEC. 29.

Agreement to Arbitrate

Article XVIII, Section 3 of the Constitution and Chapter XXXII of the Rules shall be deemed a part of and be incorporated by reference in every agreement to arbitrate under the Constitution and Rules of the Boston Stock Exchange, Inc.

Amended.


SEC. 30.

Schedule of Fees

(a) Fees and Deposits --At the time of filing a Claim, Counterclaim, Third-Party Claim or Cross-Claim, a party shall pay a non-refundable filing fee and shall remit a hearing session deposit with the Exchange in the amounts indicated in the schedules below unless such fee or deposit is specifically waived by the Director of Arbitration. Where multiple hearing sessions are required, the arbitrator(s) may require any of the parties to make additional hearing deposits for each additional hearing session. In no event shall the amount deposited by all parties per hearing session exceed the amount of the largest initial hearing deposit made by any party under the schedule below.

(b) Hearing Session --A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less. The forum fee for a pre-hearing conference with an arbitrator shall be the amount set forth in the schedules below as a hearing session deposit for a hearing with a single arbitrator.

(c) Assessment of Fees --The arbitrators, in their award, may determine the amount chargeable to the parties as forum fees and shall determine who shall pay such forum fees. Forum fees chargeable to the parties shall be assessed on a per hearing session basis and the aggregate for each hearing session may equal but shall not exceed the amount of the largest initial hearing deposit deposited by any party, except in a case where claims have been joined subsequent to filing in which cases hearing session fees shall be computed as provided in paragraph (d). The arbitrators may determine in the award that a party shall reimburse to another party any non-refundable filing fee it has paid.

If a customer is assessed forum fees in connection with an industry claim, forum fees assessed against the customer shall be based on the hearing deposit required under the industry claims schedule for the amount awarded to industry parties to be paid by the customer and not based on the size of the industry claim. No fees shall be assessed against a customer in connection with an industry claim that is dismissed; however, in cases where there is also a customer claim, the customer may be assessed forum fees based on the customer claim under the procedure set out above.

Amounts deposited by a party as hearing deposits shall be applied against forum fees, if any.
In addition to forum fees, the arbitrator(s) may determine in the award the amount of costs incurred pursuant to Sections 18, 20, and 24 and, unless applicable law directs otherwise, other costs and expenses of the parties. The arbitrator(s) shall determine by whom such costs shall be borne.

If the hearing session fees are not assessed against a party who had made a hearing deposit, the hearing deposit will be refunded unless the arbitrators determine otherwise.

(d) Consolidations --For claims filed separately and subsequently joined or consolidated under Section 13(d), the hearing deposit and forum fees assessable per hearing session after joinder or consolidation shall be based on the cumulative amount in dispute. The arbitrator(s) shall determine by whom such forum fees shall be borne.

(e) Unspecified Claims --If the dispute, claim or controversy does not involve, disclose or specify a money claim, the non-refundable filing fee will be $250 and the hearing session deposit to be [deposited] remitted by a party shall be $600 or such greater or lesser amounts as the Director of Arbitration or the panel of arbitrators may require, but shall not exceed $1,500.

(f) Retention Date --The Exchange shall retain the total initial amount deposited as hearing session deposits by all the parties in any matter submitted and settled or withdrawn within eight (8) business days of the first scheduled hearing session other than a pre-hearing conference.

(g) Additional Costs Assessed --Any matter submitted and thereafter settled or withdrawn subsequent to the commencement of the first hearing session, including a pre-hearing conference with an arbitrator, shall be subject to an assessment of forum fees and costs incurred pursuant to Sections 18, 20, and 24 based on hearing sessions held and scheduled within eight (8) business days of the Exchange receiving notice that the matter has been settled or withdrawn. The arbitrator(s) shall determine by whom such forum fees and costs shall be borne.

(h) Pre-Hearing Conference Fees --The fee for a pre-hearing conference with an arbitrator shall be:

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<thead>
<tr>
<th>Amount in Controversy</th>
<th>Conference Fee</th>
</tr>
</thead>
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<tr>
<td>$1,000 or less</td>
<td>$15.00</td>
</tr>
<tr>
<td>$1,000.01 up to $2,500</td>
<td>$25.00</td>
</tr>
<tr>
<td>$2,500.01 up to $5,000</td>
<td>$100.00</td>
</tr>
<tr>
<td>$5,000.01 up to $10,000</td>
<td>$200.00</td>
</tr>
<tr>
<td>$10,000.01 up to $30,000</td>
<td>$300.00</td>
</tr>
<tr>
<td>$30,000.01 up to $50,000</td>
<td>$300.00</td>
</tr>
<tr>
<td>$50,000.01 up to $100,000</td>
<td>$300.00</td>
</tr>
<tr>
<td>$100,000.01 up to $500,000</td>
<td>$300.00</td>
</tr>
<tr>
<td>$500,000.01 up to $5 million</td>
<td>$300.00</td>
</tr>
<tr>
<td>Greater than $5 million</td>
<td>$300.00</td>
</tr>
</tbody>
</table>

(i) Schedule of Fees --For purposes of the schedule of fees the term claim includes Claims, Counterclaims, Third-Party Claims or Cross-Claims. Any such claim submitted by a customer is a customer claim. Any such claim submitted by a member, allied member, registered representative, member firm or member corporation against a public customer or other non-member is an industry claim.

CUSTOMER CLAIMANT
### DEPOSIT

<table>
<thead>
<tr>
<th>Amount of Dispute</th>
<th>Filing Fee</th>
<th>Simplified Hearing Fee</th>
<th>Hearing Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000 or less</td>
<td>$15</td>
<td>$15</td>
<td>$25</td>
</tr>
<tr>
<td>$1,000.01 to $2,500</td>
<td>$25</td>
<td>$25</td>
<td>$25</td>
</tr>
<tr>
<td>$2,500.01 to $5,000</td>
<td>$50</td>
<td>$75</td>
<td>$100</td>
</tr>
<tr>
<td>$5,000.01 to $10,000</td>
<td>$75</td>
<td>$75</td>
<td>$200</td>
</tr>
<tr>
<td>$10,000.01 to $30,000</td>
<td>$100</td>
<td>N/A</td>
<td>$400</td>
</tr>
<tr>
<td>$30,000.01 to $50,000</td>
<td>$120</td>
<td>N/A</td>
<td>$400</td>
</tr>
<tr>
<td>$50,000.01 to $100,000</td>
<td>$150</td>
<td>N/A</td>
<td>$200</td>
</tr>
<tr>
<td>$100,000.01 to $500,000</td>
<td>$250</td>
<td>N/A</td>
<td>$750</td>
</tr>
<tr>
<td>$500,000.01 to $5,000,000</td>
<td>$300</td>
<td>N/A</td>
<td>$1,000</td>
</tr>
<tr>
<td>Over $5,000,000</td>
<td>$300</td>
<td>N/A</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

### INDUSTRY CLAIMANT

<table>
<thead>
<tr>
<th>Amount of Dispute</th>
<th>Filing Fee</th>
<th>1 Arb.</th>
<th>3 Arbs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000 or less</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$1,000.01 to $2,500</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$2,500.01 to $5,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$5,000.01 to $10,000</td>
<td>$505</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$10,000.01 to $30,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$30,000.01 to $50,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$50,000.01 to $100,000</td>
<td>$500</td>
<td>$300</td>
<td>$600</td>
</tr>
<tr>
<td>$100,000.01 to $500,000</td>
<td>$500</td>
<td>$300</td>
<td>$750</td>
</tr>
<tr>
<td>$500,000.01 to $5,000,000</td>
<td>$500</td>
<td>$300</td>
<td>$1,000</td>
</tr>
<tr>
<td>Over $5,000,000</td>
<td>$500</td>
<td>$300</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

This is the fee schedule for claims submitted by members, member firms, member corporations or allied members against public customers, registered representatives or non-members other than public customers, and for claims submitted by registered representatives or non-members other than public customers against members, member firms, member corporations, allied members or non-members. The one arbitrator column is for pre-hearing conferences and for simplified arbitrations where the industry party is a claimant against a public customer.

Amended.

SEC. 31.
Uniform Arbitration Code

The provisions of the Uniform Arbitration Code contained in this chapter shall also apply to controversies between members, allied members, member-firms, and/or non-members who are not public customers, except in so far as such provisions specifically apply to matters involving public customers.

Amended.


SEC. 32.

Member Controversies

(a) Arbitration Committee --Any controversy between parties who are members, allied members, member firms or member corporations shall be submitted to arbitration, through the Director of Arbitration, to members of the Arbitration Committee, unless non-members are also parties to the controversy. If the amount (exclusive of interest and costs) involved in the controversy is less than $10,000 the controversy shall be heard by one arbitrator. If the amount is $10,000 or more the controversy shall be heard by at least three but not more than five arbitrators. If non-members are also parties to such controversies, the arbitrators shall be appointed in accordance with Section 8 unless the non-members consent to arbitration before members of the Arbitration Committee.

(b) Fees --At the time of filing a Claim, Counterclaim, Third-Party Claim or Cross-Claim, a party shall pay a non-refundable filing fee and remit a hearing session deposit with the Boston Stock Exchange, Inc. in the amounts indicated below:

<table>
<thead>
<tr>
<th>Filing Amount in Dispute</th>
<th>Fee</th>
<th>Hearing Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000 or less........</td>
<td>$100</td>
<td>$200</td>
</tr>
<tr>
<td>$5,000.01 to $100,000...</td>
<td>$200</td>
<td>$750</td>
</tr>
<tr>
<td>$100,000.01 or more...</td>
<td>$300</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

(c) Unspecified Claims --Where the claim or controversy does not involve or disclose a money claim, or is unspecified, the filing fee will be $300 and the hearing session deposit shall be $1,000 per hearing session.

(d) Pre-Hearing Conference Fee --The fee for a Pre-Hearing Conference with an arbitrator in a member controversy shall be as follows:

<table>
<thead>
<tr>
<th>Conference Amount in Dispute</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5,000 or less................</td>
<td>$150</td>
</tr>
<tr>
<td>$5,000.01 to $100,000........</td>
<td>$300</td>
</tr>
<tr>
<td>$100,000.01 or more..........</td>
<td>$500</td>
</tr>
</tbody>
</table>

Amended.

June 18, 1986.

SEC. 33
Requirements When Using Pre-Dispute Arbitration Agreements With Customers

(a) Disclosure Requirement --Any pre-dispute arbitration clause shall be highlighted and shall be immediately preceded by the following disclosure language (printed in outline form as set forth herein) which shall also be highlighted:

(1) Arbitration is final and binding on the parties.

(2) The parties are waiving their right to seek remedies in court, including the right to jury trial.

(3) Pre-arbitration discovery is generally more limited than and different from court proceedings.

(4) The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.

(5) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

(b) Notice of Pre-dispute Arbitration Clause --Immediately preceding the signature line, there shall be a statement which shall be highlighted that the agreement contains a pre-dispute arbitration clause. The statement shall also indicate at what page and paragraph the arbitration clause is located.

(c) Acknowledgement of Receipt --A copy of the agreement containing any such clause shall be given to the customer who shall acknowledge receipt thereof on the agreement or on a separate document.

(d) Restriction on Limitations --No agreement shall include any condition which limits or contradicts the rules of any self-regulatory organization or limits the ability of a party to file any claim in arbitration or limits the ability of the arbitrators to make any award.

Adopted.

March 17, 1980

Amended.


SEC. 34.
Director of Arbitration

Chairman of the Board of Governors shall designate one of the officers or other employees of the Exchange as Director of Arbitration. The Director of Arbitration shall be charged with the duty of performing all ministerial duties in connection with matters submitted for arbitration pursuant to this Code.

Amended.

SEC. 35. Failure to Honor Award

Any member, allied member, registered representative or member organization who fails to honor an award of arbitrators appointed in accordance with these rules shall be subject to disciplinary proceedings in accordance with Article XII of the Boston Stock Exchange Constitution and Chapter XVIII of the Rules.

Amended.


Chapter XXXIII – Boston Exchange Automated Communication Order-routing Network (BEACON)

SEC. 1 General

(a) BEACON, a securities communication, order-routing, and execution system, is available to member organizations of the Exchange and to foreign exchanges with which a trading link has been established pursuant to Rule 19b-4 under the Securities Exchange Act of 1934.

(b) All Exchange rules, policies and practices will apply to BEACON except as specified by this rule.

(c) Issues eligible for BEACON will comprise all issues approved for trading on the Exchange.

(d) Only agency orders will be eligible for automatic execution in BEACON.

Adopted.


SEC. 2 Order Entry

(a) Orders transmitted through BEACON may be executed by the system automatically or on a manual basis in accordance with the provisions of this rule.

(b) Orders may be transmitted to either a Floor Broker or a Specialist at the election of the member organization originating the order. Orders may also be transmitted to Specialists through BEACON by Floor Brokers.

(c) Member organizations participating in BEACON may send to the Exchange trading Floor their market and limit orders in size parameters established by Exchange rules as modified from time to time.

Adopted.

SEC. 3

Execution Parameters

(a) Market and marketable limit orders transmitted to the Specialist prior to the opening in Intermarket Trading System (ITS) issues will be executed at the primary market opening price except where the consolidated opening price is elected by the entering firm. These provisions will also apply when the primary market re-opens a stock that has been the subject of a Regulatory Halt.

(b) Subject to the requirement of the Short Sale Rule, market and marketable limit orders entered after the opening will receive an execution price that is based upon the BEACON quotations as defined in Sec. 5(c).

(c) Market orders and marketable limit orders transmitted to the Specialist will be displayed for up to fifteen seconds to allow for the orders to receive more favorable execution prices. However, under unusual market conditions a modified exposure period may be employed upon the recommendation of an Exchange officer and the approval of two Floor Officials.

(d) Some examples when manual executions will occur are: when crosses are entered into the system; when filing limit orders; when prices appended by the system are erroneous and require correction; when orders are "stopped"; and when orders entered prior to the opening become executable at the primary market opening price.

Adopted.


SEC. 4

Eligible Orders

(a) Conditions for Orders eligible for routing through the BEACON system are as follows:

- All or none                  Stop limit
- Do not increase              Buy minus
- Fill or kill                 Day limit
- Market                      Do not reduce
- Immediate or cancel          GTC limit
- Sell long plus               Market on close
- Sell short                   Opening
- Stop                        With or without
- Not held (Floor Brokers only)

(b) Any other conditioned market or limit order approved by the Exchange.

Adopted.


SEC. 5

Automatic Executions Parameters
Automatic execution size parameters will be set in BEACON according to specialist specifications, by issue. All market or marketable limit orders of a size equal to or less than the automatic execution parameters will be automatically executed in their entirety, at the price of the NBBO.

Orders that are larger than the size of the automatic execution parameters, will be automatically executed up to the size of the automatic execution parameter, at the price of the NBBO. The remainder of any order which is not automatically executed, i.e. that portion of the order which is greater than the size of the automatic execution parameter, will be guaranteed professional handling by the specialist according to the specialist’s fiduciary duties of best execution.

Adopted.

Amended.
May 12, 1997.

SEC. 6Routing Orders Not Subject to Automatic Executions

(a) BEACON may be used to transmit, to the appropriate Specialist or Floor broker, orders in issues not subject to automatic execution.

Adopted.

SEC. 7BEACON Liability

In accordance with Article IX, Section 10 of the Exchange Constitution, the Exchange shall not be liable for any loss sustained by a member or member organization resulting from the use of the BEACON System. Generally, a loss pertaining to an order that is entered through the BEACON System and which does not appear on the BEACON System’s Member Firm Interface Safe-Store File will be absorbed by the entering member organization. A loss pertaining to an order that is entered through the BEACON System which was designated for a particular specialist’s post and which does appear on the BEACON System’s Member Firm Interface Safe-Store File will generally be absorbed by the specialist.

● ● ● Interpretation: ...

.01 In the event that there are two or more specialists competing in a given stock, the specialist to whom an order is directed (if it appears on the BEACON System’s Member Firm Interface Safe-Store File) will be responsible for that order.
.02 The Exchange's Boston Automated-Surveillance Monitoring ("BEAM") system for market surveillance and risk analysis is a networked client/server application designed to provide the Exchange's surveillance management and member firm's management with real-time capabilities to monitor specialist trading activity within the BEACON system. This rule and Article IX, Section 10 of the Exchange Constitution apply to any loss sustained as a result of a member or member organization's reliance on the BEACON data feed to BEAM.

Adopted.
April 11, 1992.

Amended.
May 18, 1994.

SEC. 8

Instant Liquidity Access

This section applies to the facilitation of orders through Instant Liquidity Access, a mechanism offered by the Exchange. All other provisions of the Constitution and Rules of the Exchange are applicable unless superseded by this section.

(a) Only straight limit orders without tick restrictions are eligible for entry as instant execution or Instant Liquidity Access ("ILA") orders. ILA orders to buy shall be priced at the price of the published BSE offer. ILA orders to sell shall be priced at the price of the BSE bid. An ILA order shall receive an immediate, instant execution against orders reflected in the Exchange's published quotation and shall be immediately reported as BSE transactions, unless:

(i) the BSE's published quotation is not firm;

(ii) the primary market's published quotation is spread away from the BSE quotation in an amount, as determined by the Market Performance Committee of the Exchange, which would warrant curtailing the availability of instant executions in a particular security (currently $0.25). Such an amount can be altered by the Market Performance Committee, as market conditions warrant, from time to time;

(iii) with respect to a single-sided ILA order, a better price exists in another ITS participating market center;

(iv) with respect to a single-sided ILA order, the BSE's published bid or offer is 100 shares;

(v) trading in the subject security has been halted;

(vi) the primary market has executed a block size trade at a price inferior to the BSE bid or offer.

ILA orders that cannot be immediately executed shall be cancelled.

(b) Availability of ILA feature. ILA orders in a particular stock shall be eligible to receive an instant execution if entered after the Exchange has disseminated a published bid or offer in that stock until 4:00 p.m. or any other closing time of the exchange's floor market.
(c) Interaction with ITS orders. If an inbound ITS commitment has been processed and apportioned according to the rules set forth in Chapter XXXI, Intermarket Trading System, herein, based on orders in the BSE book, an ILA execution cannot take place against the same order.

(d) Partial executions. An ILA order which is for a size greater than that displayed on the BSE book will receive an instant execution up to the displayed size of the BSE quotation. Any excess will automatically be cancelled.

Amended.


January 12, 2005.

Sec. 9. BEACON Remote

BEACON terminals and related equipment will be provided to remote member firm locations for trading. The remote terminals will be linked to the BEACON Trading System and will provide the same functionality as is available to on-floor specialists and floor brokers. All orders directed to remote specialists and brokers, including ITS commitments and administrative messages, will be from the Woburn data center through BEACON as occurs with on-floor specialists and floor brokers. Floor broker orders will be routed to remote specialists under the same criteria by which they are routed to on-floor specialists. The following shall apply to specialists and brokers participating in the BEACON Remote program:

(a) All rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended under this section.

(b) Only member firms with existing Exchange specialist operations are eligible for participation during the preliminary stages of the BEACON Remote program.

(c) Any eligible firm may apply to the Market Performance Committee to participate in the program. All applicants must meet the current minimum requirements for specialists or brokers set forth in the Rules of the Exchange, including, but not limited to their background, experience, staffing, training procedures, adequacy of applicant's proposed confidentiality policy, adequacy of applicant's contingency plans for communication or technology failures, adequacy of applicant's offsite facilities, performance standards, and the minimum margin, capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange.

(d) Unless the Market Performance Committee specifically authorizes otherwise, participating member firms shall be prohibited from trading remotely any securities which are currently being traded on-floor by that individual member firm. In evaluating a member firm's petition for changing the location of where a particular security is traded, the Market Performance Committee shall consider the application in light of the requirements set forth in paragraph (c) above. Individual securities, however, may not be traded by one firm in more than one location under any circumstances.

(e) The number of specialty stocks traded remotely shall not exceed two hundred (200) per specialist account.

(f) All layoff orders must be included in BEACON drop copy.
(g) All rule references pertaining to the trading floor of the Exchange, including:

   Chapter I-B, Section 2 ("Dealings on Floor - Hours");

   Chapter I-B, Section 3 ("Dealings on Floor - Persons");

   Chapter II, Section 2 ("Recording of Sales");

   Chapter II, Section 6 ("Bids and Offers for Stocks");

   Chapter II, Section 9 ("Trading for Joint Account");

   Chapter II, Section 10 ("Discretionary Transactions");

   Chapter II, Section 13 ("Trading Against Privileges");

   Chapter II, Section 15 ("Record of Orders from Offices to Floor");

   Chapter II, Section 23 ("Dealing on Other Exchanges, or Publicly Outside the Exchange");

   Chapter II, Section 31 ("Offering Publicly on the Floor");

   Chapter VIII, Section 2 ("Member Organization Account");

   Chapter XV, Section 1 ("Registration");
Chapter XV, Section 2 ("Responsibilities");

Chapter XV, Section 3 ("Code of Acceptable Business Practices for Specialists");

Chapter XV, Section 5 ("Preference on Competitive Basis");

Chapter XV, Section 6 ("The Specialist's Book");

Chapter XV, Section 9 ("Opening Listed Stock");

Chapter XV, Section 10 ("Hours");

Chapter XV, Section 16 ("Status of Orders When Primary Market Closed");

Chapter XV, Section 18 ("Procedures for Competing Specialists");

Chapter XV ("Special Offerings");

Chapter XVIII, Section 1 ("Penalties");

Chapter XVIII, Section 4 ("Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies");

Chapter XX, Section 6 ("Gratuities");

Chapter XXII, Section 2 ("Capital and Equity Requirements");
Chapter XXXI, Section 2 ("Intermarket Trading System");

Chapter XXXI, Section 3 ("Pre-Opening Application");

Chapter XXXI, Section 4 ("Trade-Throughs and Locked Markets");

Clearing Corporation Rule 3, Section 2 ("Dual Member Broker/Dealer Accounts");

Clearing Corporation Rule 3, Section 3 ("Boston Representative Broker/Dealer Accounts");

Clearing Corporation Rule 3, Section 4 ("Specialist Member"); and Clearing Corporation Rule 4, Section 4 ("Bills Rendered")

shall be deemed to include any trading done remotely through BEACON, and all such trades shall be deemed to be Boston executions on the Exchange.

(h) A written confidentiality policy regarding the location of equipment and access to information, terminals and equipment must be adopted by the firm and filed with and approved by the Exchange prior to the commencement of remote trading. Moreover, this policy must conform to all of the requirements set forth in the Rules of the Exchange, including, but not limited to Chapter XV, Section 6 (The Specialist Book), Chapter II, Section 36 (Specialist Member Organizations Affiliated with an Approved Person), and Section 37 (ITSFEA Procedures). In accordance therewith, reasonable principles must be applied to limit access by non-specialists to Remote Specialist facilities and information, and to limit Remote Specialists and Brokers access to and from other proprietary trading venues, including access from outcry or visible communication, intentional or otherwise.

(i) Floor policies regarding dress code, and smoking, identification and visitors shall not apply. Access to the area designated as that of the Remote Specialist's or Remote Broker's shall be restricted to the specialist or broker, backup specialist, clerks, designated management of the specialist or broker, and Exchange authorized personnel, consistent with the Rules of the Exchange, including, but not limited to, "Chinese Wall" procedures set forth in Chapter II, Section 36, (Specialist Member Organizations Affiliated with an Approved Person), and procedures set forth in Chapter XV, Section 6 (The Specialist's Book).

(j) All Exchange correspondence, memoranda, bulletins and other publications shall be sent to BEACON Remote Specialists and Brokers via electronic mail through BEACON and via U.S. mail or overnight delivery.

(k) All BEACON Remote specialists and brokers will have stentofon, (or a similarly operational
speakerphone), as well as dedicated telephone access, to the physical trading floor. Any regulatory requirements including trading halts, trading practices, policies, procedures or rules requiring floor official involvement will be coordinated by Exchange personnel with the remote specialist and brokers through the dedicated telephone line.

(I) Servicing of BEACON terminals and related equipment shall be by Exchange authorized and trained personnel only.

(m) The Exchange's examination program of non-DEA floor members would include the remote specialist and broker operations. Every firm must submit specific supervisory procedures relating to the Remote Specialist and/or Broker operations and appropriate identification of all individuals who will have access to the Remote Specialist and/or Broker operation, including all supervisory personnel.

(n) Any arbitration or disciplinary action arising out of trading activity pursuant to this section would be held at the physical offices of the Exchange located in Boston.

(o) Each remote BEACON terminal assigned and registered by the Exchange will require an ETP, and will be subject to the following:

(1) Each approved Specialist unit may be authorized to trade up to 200 issues.

(2) Each Specialist and/or Broker unit must have at least one registered Exchange seat assigned to the approved specialist or broker.

(a) A specialist may be authorized to obtain additional ETP's for qualified registered clerks to access BEACON in support of the Specialist unit.

(b) All specialists, brokers, and registered clerk ETP holders must be approved by the Market Performance Committee and must meet the following:

(i) file an ETP application form with the BSE Surveillance Department;

(ii) completion of the required floor training program

(iii) successful completion of the BSE floor examination within 90 days of application;

(iv) successful completion of the Series 63 (NASAA Uniform State Law Exam), and registration with the Commonwealth of Massachusetts, and;

(v) submission of fingerprint records to the BSE.

(3) Each Specialist unit identified by the member firm will be assigned an account ("give up") and will be evaluated under the Exchange's Specialist Performance Evaluation Program ("SPEP") which currently measures performance in several separate categories comprising a relative overall performance ranking.

Amended.

December 22, 2000, April 28, 2005

● ● ● Commentary: ...
During the initial stages of this program (rollout), the Exchange will permit only current floor member firms to participate. The rationale for this is that current floor member firms have already been evaluated as to, among other things, their familiarity with the Rules of the Exchange, capital, equity and margin requirements, experience, staffing and training procedures, and performance standards. As soon as is practicable following the rollout of the program, the Market Performance Committee of the Exchange will consider other firm applicants based on a variety of criteria, as identified in Section 9(c), above, including, but not limited to, adequate off-site facilities to ensure compliance with the referenced portions of the Exchange's rules, and adequate capital to manage the risks associated with this program. For every applicant specialist or broker who is not an existing on-floor specialist or broker, a two week on-floor training period will be required, among the purposes of which will be to benefit the relationship between the Boston floor and the remote specialist or broker.

Adopted.

October 8, 2000.

¹Drop copy is a BEACON system enhancement which permits the electronic loading of layoff system trade data for realtime specialist position updating, clearance, settlement and audit trail purposes. Training: On-site floor training for at least two weeks would be waived for current floor specialists and registered clerks who transfer to remote specialist operations. The two week on-site floor training period could also be waived in exceptional circumstances, if other arrangements are made with and approved by the Exchange. In such exceptional circumstances, a waiver will only be permitted if the Exchange is assured that the person requesting the waiver has made other arrangements that ensure that the person meets all of the requirements listed below. However, the two week on-site floor training period will not be waived for easily remedied reasons such as geographical location or inconvenience, and will include, among other things: (1) Questioned trade procedures (2) Communication procedures with Floor Brokers, Front Desk Operations, Surveillance, Systems Support, and ITS coordination with the Floor. (3) Competing Specialist Initiative (“CSI”) and Unlisted Trading Privilege (“UTP”) applications and procedures (4) Stock allocation procedures (5) Book or symbol change procedures (6) Trading Halt procedures (7) Floor official rulings (8) Authorizations required for billing, withdrawals, and payment of fines where applicable (9) Minor Rule Plan Violations policies and application (10) Books and records/reports available (11) Explanation of the SPEP categories and procedures (12) Certain other rules and policies deemed appropriate by the Exchange (e.g. Limit Order Display Rule, auto-executions, Price Improvement, etc.)

SEC. 10

Decimal Pricing Testing

(This rule will automatically expire upon full implementation of decimal pricing.)

(a) Each member firm shall participate in testing of computer systems in order to prepare for the industry-wide conversion to decimal pricing.

(b) As required by the Exchange, member firms shall participate in industry-wide testing, as well as preparedness testing for industry wide testing, of computer systems for decimal pricing conversion capability.

(c) Any member firm which has an electronic interface with the Exchange shall conduct testing between the electronic interface and the Exchange (“point to point testing”). In the case of a
member firm that has an electronic interface through a third party service provider, point to point testing will not be required if (i) the member firm conducts successful testing with the service provider, (ii) the service provider conducts successful tests with the Exchange (on behalf of the member firm) and (iii) such testing is documented to the satisfaction of the Exchange and the Exchange agrees that no further testing is necessary.

(d) Each member firm participating in either industry-wide testing or point to point testing shall keep and file reports regarding the testing as deemed necessary by the Exchange.

(e) Member firms shall maintain adequate documentation of all testing and shall maintain such records for review by the Exchange as necessary.

Adopted.


Chapter XXXIV – Minor Rule Violations

Sec. 1

General

The following rule and policy violations may be determined by the Exchange to be minor in nature. If so, the Exchange may, with respect to any such violation, proceed under Sec. 4 of Ch. XVIII and impose the fine set forth below. The Exchange is not required to proceed under said Section as to any rule violation and may, whenever such action is deemed appropriate, such as in the case of intent or a pattern of offenses, commence a disciplinary proceeding under Chapter XXX as to any such violation. In lieu of formal disciplinary action, a member may opt for Acceptance Waiver and Consent Procedures pursuant to Section 10 of this Chapter XXX. A subsequent violation is calculated on the basis of a rolling 12-month period.

Amended.
February 4, 2005.
October 2, 2006.

Sec. 2

Rule Violations

(a) Failure to Comply with anAppealed Floor Official Ruling that Stands (Ch. 1, Sec. 1):

Initial Offense - $250; Subsequent Offenses - $500.

(b) Failure to Maintain Proper Records (Ch. II, Sec. 15; Ch. XV, Sec. 8; Ch. XXII, Sec. 1):
Failure to maintain required records for annual examinations, surveillance, and other purposes.

Initial offense - $500; Subsequent Offenses - $1,000

(c) Failure to Display Limit Orders (Ch. II, Sec. 40):
Failure to display a customer limit order immediately (no later than 30 seconds) after receipt (without a specific exemption pursuant to the rule).
Initial Offense - Written Warning

Second Offense - $50

Third through Fifth Offense - $100

Sixth through Tenth Offense - $500

Over Ten Offenses - $1000

(d) Failure to Display Quotes/Specialist Quote Maintenance (Ch. II, Sec. 7):

All non-quoted specialty stocks found at any time of review shall be considered one violation. The review and sanction process may be repeated during the day. Each specialist book shall be responsible for its own quote maintenance and summary fine application. Sanctions shall not be imposed if the primary market has not displayed a market at time of review, or other extenuating circumstances exist.

Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(e) Failure to Promptly Respond to Exchange Blue Sheet Requests or File Regularly Scheduled Financial (FOCUS, SIPC) and/or Regulatory Reports (Specialist Performance Evaluation Questionnaire, Quarterly Option Report) (Ch. XVIII, Sec. 5; Ch. XXII, Sec. 1(d) and 2 (j); Ch. XV, 2156, Ch. II, Sec. 24):

Failure to respond by the specified due date, failure to request an extension on or before the specified due date, or failure to respond by the specified date approved for an extension.

Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(f) Floor Order Facilitation (Ch. II, Sec. 3; Ch. XV, Sec. 2; Ch. XV, Sec. 3; Ch. XVIII, Sec. 1):

Conduct which may cause delays or interruptions in the orderly facilitation and/or confirmation of orders received on the Floor such as failure to record proper post locations or dilatory practices in handling orders received on the Floor, as measured by the Exchange and in excess of three (3) instances over the preceding rolling thirty day period.

Initial Offense - Written Warning

Second through Fifth Offense - $100

Sixth through Tenth Offense - $250

Over Ten Offenses - $500

(g) Improper Use of the ITS Administrative Message Function (Ch. XXXI, Sec. 1(a)(i) and the ITS Plan):
To be determined by Surveillance staff with the concurrence of a Floor Official.

Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(h) Recording of Sales (Ch. II, Sec. 2):

Failure to time stamp orders or to promptly report executions to the Consolidated Tape Association:

Initial Offense - Written Warning; Second Offense - $100; Subsequent Offenses - $250.

(i) Representation on the Floor (Ch. XV, 2155.02):

All members and member organizations must designate an individual who will represent such member or member organization on the Floor during their absence. Specialist representatives should have access to the unit's records and books. All individuals representing members and member organizations must have the authority to make decisions in opening stocks, executing orders and/or resolving and closing out open or questioned items for the account of the absent member. Failure to adhere to these provisions will result in the following fines:

Initial Offense - Written Warning; Second Offense - $100; Subsequent Offenses - $250.

(j) Short Sale Rule Violations (Ch. II, Sec. 16):

First through Third Offense – $250.00
Fourth through Sixth Offense - $500.00
Seventh through Tenth Offense - $1000.00

Over Ten Offenses in a rolling twelve (12) month period will result in Formal Disciplinary Action.

(k) Trading in an Inactive Alternate and/or Trading Account (Ch. XXII, Sec. 2(m)):

Patterns of trading indicating abuse of inactive accounts, as measured by the Exchange and in excess of three (3) instances over the preceding thirty day period.

Initial Offense - $500; Subsequent Offenses - $2,500

(l) Unauthorized Disclosure of Give-ups (Ch. XV (g)):

Initial Offense - $1000; Subsequent Offenses - $2500.
(m) Unauthorized Physical Contact with the Intent to Cause Harm or Intimidate Another on the Premises of the Exchange (Art. XIV, Sec. 5):

Initial Offense - $500; Second Offense - $1000; Subsequent Offenses - $2500.

(n) Failure to Designate an order (PPS) (Ch. IIB, Sec. 3):
Failure to designate an order "PPS" if it is eligible for execution during the Post Primary Session.

Initial Offense - Written Warning
Second Offense - $50
Third through Fifth Offense - $100
Sixth through Tenth Offense - $500
Over Ten Offenses - $1000

(o) Dealings Outside of Exchange Operating Hours (Ch. I-B, Sec. 2):

Initial offense - Written Warning
Second Offense - $50
Third through Fifth Offense - $100
Sixth through Tenth Offense - $500
Over Ten Offenses - $1000

Amended.


October 2, 2006.

(p) Execution of Valid ITS Commitments (Ch. XXXI, Sec. 2(b))

Failure to execute an ITS commitment that is due an execution.

Initial Offense - Written Warning
Second Offense - $50
Third through Fifth Offense - $100
Sixth through Tenth Offense - $500
Over Ten Offenses - $1000

Sec. 3  
Policy Violations

(a) Damage or Abuse of Floor Facilities and Equipment:

Initial Offense - $250; Subsequent Offenses - $500

Liability also extends to the cost of repairing or replacing the facility or equipment as well as damages for losses clearing resulting from the unavailability of the equipment or facility during the repair or replacement.

(b) Failure to Adhere to Floor Security:

Propping open any of the security doors by any means.

Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(c) Failure to Attend Market Performance Committee Mandated BEACON Training Sessions:

Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(d) Failure to Comply with Post Rules:

Altering the appearance of any post without the prior written consent of the Floor Facilities Committee ("Committee"); refusal of a post location change by the Committee; use of an unassigned post for any purpose without the prior written consent of the Exchange; storage of materials in an unauthorized area of the Floor; placing or installing any personal equipment (computers, file cabinets, chairs, bulletin boards, tables, shelves, desks, etc.) without the prior written authorization of the Exchange.

Initial Offense - $250; Subsequent Offenses - $500 (These fines are in addition to any costs incurred by the Exchange for any damage to a post and/or the removal of materials and/or equipment).

(e) Failure to Comply with Telecommunications ("Comm") Room Rules:

Not obtaining a permit number from the Exchange prior to any installation or servicing of hardware or telecommunications equipment (i.e., voice and data); unauthorized vendor access to the Comm. Room or the Trading Floor without prior notification to the Exchange and accompaniment by an authorized Exchange staff member or floor member; unauthorized equipment removal from any Exchange location.
Initial Offense - $250; Subsequent Offenses - $500 (These fines are in addition to any costs incurred by the Exchange for any loss of, damage to and/or removal of equipment).

(f) Failure to Lockup Facility:
The Facility must remain locked in the absence of a Security guard after 10:00 p.m. and anytime on weekends or holidays. It is the responsibility of key holders to ensure that doors are locked upon leaving the Facility. Doors which are controlled by card readers must also be key locked.

   Initial Offense - Written Warning; Second Offense - $100; Subsequent Offenses - $250.

(g) Failure to Register Floor Employees and Complete Appropriate Forms (Exchange Security Policy):
Includes all member firm floor employees, both full and part-time, temporary and summer staff.

   Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(h) Floor Conduct:
Unprofessional or disruptive behavior.

   Initial Offense - $100; Subsequent Offenses - $500.

   Extremely unprofessional or disruptive behavior, as determined by two floor officials.

   All offenses - $1,000

(i) Inappropriate Attire:

   Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(j) Possession of an Alcoholic Beverage During Trading Hours:

   Initial Offense - $250; Subsequent Offenses - $500.

(k) Possession of Firearms or Other Weapons:
Firearms or other weapons are not permitted on the Trading Floor or any other area of the Exchange, unless carried by licensed security staff, Boston Police or other government law enforcement officers.
Initial and Subsequent Offenses - $5000.

(l) Trading Floor Appearance:
Inappropriate storage of garments or materials.

   Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(m) Violation of the Exchange Identification Requirement:
All Floor Members and their Staff are required to carry their access/identification cards at all times and in all areas of the Exchange. Cards must be displayed to Security Staff upon request.

   Initial Offense - Written Warning; Second Offense - $50; Subsequent Offenses - $100.

(n) Violation of the Visitors Policy:

   Initial Offense - $100; Subsequent Offenses - $250.

(o) Violation of the Exchange Tobacco Use Policy

Smoking, use of tobacco or any expectorants is prohibited on the Equity Trading Floor. This prohibition shall apply at all times, whether the floor is in session or not.

   Initial Offense - $100; Subsequent Offenses - $250.

Adopted.
October 18, 2000.

Amended.

Sec. 4
Rescinded effective October 2, 2006.

Chapter XXXV – Trading in Nasdaq Securities

Trading in Nasdaq Securities

All of the Rules, Policies, and Procedures, set forth in the Rules of the Board of Governors of the Boston Stock Exchange ("Boston Stock Exchange Rules"), and elsewhere, shall apply to the trading of Nasdaq securities in the same way as they do to the trading of non-Nasdaq securities, with the addition of the rules set forth in this Chapter XXXV, detailed below.
SEC. 1. Definitions

(a) "Nasdaq security" --any security listed on the Nasdaq National Market or Nasdaq SmallCap Market.

(b) "Nasdaq System" --the NASD's Automated Quotation System.

(c) "Listed security" --a stock or bond, other than a Nasdaq security, that has been accepted for trading by the Boston Stock Exchange, or any of the other registered securities exchanges in the United States.

Adopted.

October 18, 2001.

Sec. 2. Order Transmission

(a)(i) Each Exchange specialist shall provide direct telephone or other means of access to the specialist post to Nasdaq System market makers, acting in their capacity as market makers, for each Nasdaq security in which the market maker is registered as a market maker. Access shall include appropriate procedures which assure the timely response to telephonic or other communications. Nasdaq System market makers may use such telephone or other access to transmit orders for execution on the Exchange.

Any order received on the floor via telephone or otherwise from a Nasdaq System market maker shall be effected in accordance with the rules applicable to the making of bids, offers and transactions on the Floor (see Chapter II, Dealings on the Exchange, Chapter XV, Specialists). All limit orders shall be immediately displayed upon receipt, in accordance with Chapter II, Dealings on the Exchange, Section 40, Limit Order Display Rule.

(ii) Exchange specialists may send orders from the Floor for execution via telephone, or otherwise, to any Nasdaq System market maker in each Nasdaq security in which it is registered as specialist. All of the Boston Stock Exchange Rules related to the trading of securities shall be applicable to bids and offers transmitted by telephone, or otherwise, in the same way as they apply to orders transmitted via automated trading systems.

(iii) Comparisons of transactions effected with a Nasdaq System market maker via telephone access, or otherwise, will be made pursuant to procedures to be established between Nasdaq and the Exchange.

(b) Members may have access to enter orders to the specialist either electronically or telephonically. Any order received by the specialist telephonically, or verbally in any manner other than electronically must be memorialized in accordance with Chapter II, Dealings on the Exchange, Section 2, Recording of Sales, and Section 15, Record of Orders from Offices to Floor.

Adopted.

October 18, 2001.

Amended
SEC. 3.  Trading

(a) Automatic Execution of Nasdaq orders. If the specialist is quoting at the National Best Bid or Offer ("NBBO") at the time a market or marketable limit order is received, the order shall automatically be filled at the NBBO up to the size of the specialist's bid or offer. The specialist's bid or offer will be decremented by the size of the execution. In the event that the specialist's bid or offer is exhausted, the system will generate a quote at an increment away from the NBBO as determined by the specialist from time to time, for 100 shares. If the specialist is not quoting at the NBBO at the time a market or marketable limit order is received, such order shall be automatically filled at the NBBO up to the size of the auto-execution threshold if the specialist has not, within 20 seconds after receipt of the order, complied with the manual execution requirement detailed below. The automatic-execution guarantee only applies to orders which are equal to or less than the size of the auto-execution parameter.

(b) In Nasdaq securities, the auto-execution parameter must be set at 300 shares or greater. For the purposes of this rule, odd-lot orders will be considered to be round lot orders for the purposes of rounding up to the size of the auto-execution guarantee parameter. An odd-lot order shall not increase the size of the execution guarantee to an amount greater than the auto-execution parameter. Rather an odd lot order would be added to any round lots less than the size of the auto-execution parameter and the execution guarantee would apply only to that number of shares, which would be less than or equal to, but in no case greater than, the size of the auto-execution guarantee.

(c) In unusual trading situations, specialists may switch from automatic execution to manual execution mode. "Manual execution mode" shall include any instance in which a specialist reduces the auto execution threshold below the minimum set forth in paragraph (b) of this section 4. For the purposes of this rule, "unusual trading situations" for Nasdaq securities include the existence of large order imbalances or significant price volatility. If a specialist elects to switch to manual execution mode based on the existence of unusual trading situations, the specialist must 1) document the basis for election of a manual execution mode; and, 2) in the event that the specialist remains in manual execution mode for more than ten minutes, seek relief from the requirements of this section 4 from two floor officials.

All automatic execution parameters and practices shall be in accordance with NASD Rule IM-2110-02, Trading Ahead of Customer Limit Orders, and NASD Rule IM-2110-3, Front Running Policy.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 4.  Manual Execution of Nasdaq Securities

Manual Execution of Nasdaq securities. With respect to agency market or marketable limit orders in Nasdaq securities which have a size equal to or less than the auto execution threshold but
which are not auto-executed under the provisions of this Chapter, a specialist shall be obligated to either (i) manually execute such orders at the NBBO in existence when the order is received or better, or (ii) act as agent for such orders in seeking to obtain the best available price for such orders on a marketplace other than the Exchange.

Adopted.

October 18, 2001.

Amended

May 22, 2003

Sec. 5. Preopenings/Trading Halts

Pre-opening orders in Nasdaq securities must be accepted and filled at the Exchange opening trade price. In trading halt situations, orders will be executed based on the Exchange reopening price.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 6. Orders to Buy and Sell the Same Security

Pursuant to Chapter II, Section 18, Orders to Buy and Sell the Same Security, for cross transactions in Nasdaq securities, a specialist must refrain from interfering at the cross price with an agency cross which is to be effected at a price between the disseminated Exchange market, unless the specialist is willing to better one side of the cross.

When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are for 5,000 shares or more and are for accounts other than the accounts of the executing member, the member may cross such orders at a price which is at or within the prevailing bid or offer. The member’s bid or offer shall be entitled to priority at such cross price, provided that the proposed cross transaction is of a size greater than the aggregate size of all of the interest communicated on the Exchange floor at that price. Another member may trade with either the bid or offer side of the presented cross transaction only to provide a price which is better than the cross price as to all or part of such bid or offer. A member who is providing a better price to one side of the cross transaction must trade with all other market interest having priority at that price before trading with any part of the cross transaction.

Adopted.

October 18, 2001.

Amended

May 22, 2003
SEC. 7.  

Dealings on Floor --Hours

For the purposes of transacting business in Nasdaq securities only, the Exchange shall be open from 7:00 a.m. until 4:30 p.m. Only transactions in Nasdaq securities will be permitted outside the hours of 9:30 a.m. and 4:15 p.m., in accordance with Chapter I-B, Business Hours, Section 1, Primary Session, and Section 1(a) Post Primary Session.

Adopted.

October 18, 2001.

April 23, 2003

Amended.

May 1, 2006.

SEC. 8.  

Order Acceptance Guarantee

An Order Acceptance Guarantee shall be available to each member firm in all Nasdaq securities traded on the Exchange. Specialists must accept all agency market and marketable limit orders in Nasdaq securities up to and including 1000 shares in accordance with this rule. Specialists must accept all agency non-marketable limit orders in Nasdaq securities up to and including 10,000 shares for placement in the limit order book.

An Exchange specialist in a Nasdaq security shall only be obligated to guarantee execution on the first agency market order placed with him by a Floor broker or other Floor member, at any given best bid or offer. Subsequent to any such execution, the specialist may, but shall not be obligated to, guarantee the execution at such price of other orders placed with him.

Adopted.

October 18, 2001.

Amended.

May 22, 2003

SEC. 9.  

Specialist's Responsibilities

(a) Orderly Markets. In accordance with the responsibilities of specialists, as set forth in Chapter XV, Specialists, Sec. 2., Responsibilities, in relation to Nasdaq securities, an "orderly market" is defined as one with regularity and reliability of operation manifested by the presence of price continuity and depth exhibited by the avoidance of large and unreasonable price variations between consecutive sales on the Nasdaq system and the avoidance of overall price movements without appropriate accompanying volume.

A specialist in a Nasdaq security is responsible for insuring that each opening and reopening price in respect to Nasdaq securities reflects a professional assessment of market conditions at
the time with due consideration being given to the balance of supply and demand as reflected by public orders. Additionally, the specialist should insure that the opening is not unduly hasty, particularly when at a price disparity from the previous close, and that the price reflects a thorough and professional assessment of market conditions at the time.

(b) Best Execution. Specialists dealing in Nasdaq securities shall use diligence to ascertain the best market for a particular security and provide the customer with a price which is as favorable as possible under the prevailing market conditions. Furthermore, no specialist shall interject a third party between himself and the best available market unless he can demonstrate that the total costs of the resultant transaction was better than the prevailing inter-dealer market for the security.

 Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 10. Registration of Specialists

Specialists who wish to trade Nasdaq securities must be registered and qualified by the Exchange. As such, they must first make application to and be approved by the Exchange. In addition, and in accordance with the requirements set forth in Chapter XV, Specialists; Chapter XX, Employees for the Solicitation of Business; Chapter XXV, Registration of Member-Corporations; and elsewhere, specialists who trade Nasdaq securities will be required to:

(1) Be associated with an existing or newly created specialist unit approved by the Exchange, in accordance with all applicable rules, policies and procedures; and,

(2) Successfully complete the Boston Stock Exchange Floor Exam, including the sections regarding Nasdaq trading; and,

(3) Obtain a Series 63, NASAA Uniform State Law Exam, license; and,

(4) If conducting business with the public, obtain a Series 7, General Securities Representative, license under the sponsorship of a NASD registered Broker-Dealer; and,

(5) Complete a training period as deemed adequate by the Market Performance Committee; and,

(6) Ensure that the specialist unit with which he is associated meets all of the Exchange's financial requirements, as set forth in Chapter VIII, Minimum Amount of Margin on Transactions Made During the Course of a Single Day in Accounts of Members, Allied-Members and Member-Organizations, Chapter IX, Unissued Securities --Margin Requirements, Chapter XXII, Financial Reports and Requirements --Aggregate Indebtedness --Net Capital, Chapter XXII-A, Blanket and Fidelity Bonds, and elsewhere.

 Adopted.

October 18, 2001.

Amended
May 22, 2003

SEC. 11. Floor Clerks

A qualified clerk under the control and supervision of a specialist may assist the specialist, in accordance with Chapter I-B, Section 3, Dealings on Floor --Persons.

Adopted.

October 18, 2001.

Amended


SEC. 12. Odd-Lots and Odd-Lot Dealers

Notwithstanding any of the requirements regarding Odd-Lots and Odd-Lot dealers set forth in Chapter XII, Odd-lot Dealers in Securities the Primary Market for Which is on Another Exchange, Chapter XIII, Odd-Lot Dealers in Fully Listed Securities Having a Primary Market on this Exchange, Chapter II, Dealings on the Exchange, Chapter V, Units of Delivery --Payment for Deliveries --Transfers, a member or member organization registered as a specialist in a Nasdaq security shall automatically be registered as the Odd-Lot Dealer in such security.

Market orders will be accepted for execution as an odd-lot based on the best bid disseminated pursuant to SEC Rule 11Ac1-1 on a sell order, or the best offer disseminated pursuant to SEC Rule 11Ac1-1 on a buy order in effect at the time the order is presented at the specialist post, provided the order is for a number of shares less than the full lot in said stock.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 13. Synchronization of Business Clocks

In accordance with NASD Rule 6953, each specialist trading Nasdaq securities shall synchronize his business clocks with a time source as specified by Nasdaq.

Adopted.

October 18, 2001.
SEC. 14.  

Capital and Equity Requirements  

Pursuant to Chapter XXII, Financial Reports and Requirements --Aggregate Indebtedness --Net Capital, Section 2, Capital and Equity Requirements, each member firm involved in the trading of Nasdaq securities shall maintain a liquidating equity for each specialist account of not less than $200,000 in cash or securities. This equity requirement, as well as all other provisions of the section (including capital maintenance requirements), applies to each specialist account, without regard to the number of specialist accounts per firm.  

Adopted.  

October 18, 2001.  

Amended  

May 22, 2003  

SEC. 15.  

Margin Procedures  

The Boston Stock Exchange Clearing Corporation will provide margin financing for approved specialists dealing in Nasdaq securities, subject to the requirements and guidelines set forth in Chapter VIII, Minimum Amount of Margin on Transactions Made During the Course of a Single Day in Accounts of Members, Allied-Members, and Member-Organizations. For the purposes of this rule, transactions in Nasdaq securities will be considered to have been effected on the Boston Stock Exchange, and Nasdaq securities will be considered to be classified as stocks.  

Adopted.  

October 18, 2001.  

Amended  

May 22, 2003  

SEC. 16.  

Limitations on Trading Nasdaq Securities  

(a) Minimum Number of Nasdaq securities. The first specialist in a firm will be required to register in and trade at least 20 Nasdaq securities. A specialist associated with a member firm, and associated with another specialist registered in the minimum number of BSE traded stocks shall register and act as specialist in not less than 15 Nasdaq securities.  

(b) Minimum Holding Period for Nasdaq securities. Any stock awarded or assigned to a specialist must be held by the specialist for at least 6 months (excluding unprotected allocations), and the specialist is required to actively trade and maintain a market in each security in which he is registered.
Adopted.
October 18, 2001.

Amended
May 22, 2003

SEC. 17.  
Application Procedure

Specialists are required to apply for registration in Nasdaq securities by utilizing either the UTP Form or the Add/Drop Form, depending on the status of the security being applied for. The allocation process will take place as specified elsewhere in this chapter.

Consistent with general Exchange stock allocation procedures, a specialist who first requests registration in an established Nasdaq security will generally be allocated that security, except where the performance of the specialist has been called into question. In that event, the Stock Allocation Committee may elect to competitively allocate that security.

Adopted.
October 18, 2001.

Amended
May 22, 2003

SEC. 18.  
New Listing or New UTP

A specialist may apply to trade a newly admitted Nasdaq security, pursuant to the Nasdaq UTP plan (which permits trading of UTP admitted securities) as well as those newly dually listed. Such application will be subject to the allocation process.

Adopted.
October 18, 2001.

Amended
May 22, 2003

SEC. 19.  
Allocation of Nasdaq Securities

The following procedures regarding the initial allocation of Nasdaq securities are designed to ensure an equitable representation of member support of Nasdaq securities trading on the Boston Stock Exchange. They are structured so as to protect the firms who have established Nasdaq operations on the floor of the Exchange, while at the same time providing an opportunity for new interest and growth of this program in the foreseeable future from firms seeking to trade Nasdaq securities on the Exchange through meaningful stock allocations. Priority for admittance will be based on the date that the new firm becomes qualified to trade Nasdaq securities on the
Exchange, as determined by Exchange staff. These procedures will remain in place for a two-year maturation period, following approval and commencement of trading. At the conclusion of this period, the Exchange will review the process and establish permanent Nasdaq security allocation procedures.

It should be understood that the registration rights to any Nasdaq securities awarded under this program through the allocation process may be transferred, rescinded or withdrawn by the Exchange. The initial two-year maturation period, by design, may entail the reallocation of an "unprotected" security. Further, any such specialist unit must continuously maintain fair and equitable markets in all issues assigned to it and may not for any reason transfer, sell or otherwise shift the benefit or responsibilities for trading securities awarded to it to another member firm. The Exchange will promptly initiate steps to reassign such trading privileges as deemed necessary if such circumstances arise. A minimum six-month holding period will be strictly enforced. The intent of this program is to establish competitive and liquid markets through solid support and a sustained commitment by its members.

Note: A firm may swap allocated stocks, with other existing and established BSE Nasdaq trading participants, in accordance with Section 25 of this Chapter XXXV. Further, in limited and exceptional circumstances, a member firm may petition the Executive Committee of the Exchange for permission to sell or otherwise transfer its Nasdaq trading privileges to another member firm prior to the end of the mandated six-month holding period. The responsibility to provide sufficient and justifiable reasons to seek such approval will be on the member firm registrant and must overcome the intent of this allocation process for a sustained commitment by such member. (Factors will include length of time trading, number of issues in each category and whether the proposed transferee is a new applicant.) The Executive Committee will evaluate any such request on its merits, and will ultimately base its decision on its determination of whether such a transfer is in the best interests of the Exchange.

The Executive Committee's decision in such a case shall be final.

Allocation Procedures

Any member firm currently trading listed securities on the Exchange may apply for Nasdaq trading privileges, but may not drop listed securities in order to seek allocation of Nasdaq securities. The Exchange's goal is to establish a new product, which will expand the number of stocks available for execution on the BSE, rather than to replace or substitute its current market for listed securities.

The following procedures pertaining to the allocation of Nasdaq securities apply on a member firm basis, regardless of the number of specialists trading Nasdaq securities within a particular firm. The minimum number of stocks per book pursuant to this Chapter XXXV, Sec 18, will be 20 for the first specialist in a member firm and 15 for subsequent specialists in that same member firm. The initial allocation of Nasdaq securities will be limited to those member firms approved by the Exchange as of commencement date, and will be limited to those firms for the first 30 days.

Following this initial allocation, other firms may apply for Nasdaq securities, provided that they have met all of the requirements and have been approved by the Exchange to trade Nasdaq securities, as set forth in this Chapter XXXV, and elsewhere. The procedures for the allocation of Nasdaq securities will be based in part on the trading volume in Nasdaq securities and are as follows:

Note: The determination of which securities fall within the categories below (i.e., the top 100, top 300, etc.) will be based on the ranking on Nasdaq securities by the National Association of Securities Dealers, and published on the appropriate Nasdaq website as of the end of the preceding calendar quarter.
After the initial 30-day period, commencing on a date the Exchange specifies as the official start date of the trading of Nasdaq securities on the floor of the Exchange ("start date"), other qualified firms may apply for allocation of Nasdaq securities from the pool of unallocated securities. After an ensuing 30-day period (i.e. 60 days from the start date), each firm who is actively trading Nasdaq securities at the time a new firm applies for allocation ("existing firm") of Nasdaq securities may protect ("freeze") securities registered to it within the rankings noted below and at the times as specified below. The remaining ("unprotected") securities that the firm is trading will be available for re-allocation to a new firm (including any new firms which commenced trading 30 days after the start date), although no new firm may take more than 30% from within each of the four rankings of any one existing firm's ("unprotected") securities available for allocation. Thus, existing firms will not have their entire inventory, above the securities it has frozen, subject to reallocation at any one time, by any one firm. Notwithstanding this 30% provision, a new firm may seek reallocation of at least one unprotected security from an existing firm, if 30% of the existing unprotected securities is less than one, and provided that the number of unprotected securities exceeds the freeze limits as set forth below.

An existing firm will be able to freeze securities each time a new firm applies for allocation during the first six months of Nasdaq trading, according to the following restrictions:

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<th>3</th>
<th>4</th>
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<tr>
<td>Category 2</td>
<td>20 securities from those rated 101-300</td>
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<tr>
<td>Category 3</td>
<td>20 securities from those rated 301-500</td>
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<tr>
<td>Category 4</td>
<td>20 securities from those rated 501-and above</td>
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</table>

Note: After the initial allocation of securities to those firms which are initially participating in the trading of Nasdaq securities, the Exchange reserves the right to reallocate any number of securities above 25 per firm which the firm has been initially allocated from the top 100 ranked securities, if it determines that it is in the best interest of the Exchange and the overall Nasdaq program.

As an example, assume four firms initially apply for, and receive allocations as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>1</th>
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</tbody>
</table>

If Firm E applies for allocations during this initial six month period, Firm A can freeze 10 of the securities it has been allocated from the top 100 and 20 from each of the three remaining categories. Thus 15 securities from category 1, and 5 securities from categories 2, 3, and 4 would be available to Firm E. However, due to the 30% restriction, only 5 securities (30% × 15
unprotected) from category 1 and 2 securities from categories 2, 3 and 4 could be reallocated from Firm A.

Firm B would be able to freeze 10 of the 20 securities which it had been allocated from the top 100, although only 3 of the unprotected securities could be reallocated to Firm E. Likewise, Firm B would be able to freeze 20 of the securities which it had been allocated from category 2, and could lose up to 30%, or 2 securities from category 2 to Firm E. Categories 3 and 4 would be protected.

Firm C would be able to freeze all of the securities it has been allocated in categories 2, 3 and 4 but could lose 5 of the 15 unprotected securities in category 1.

Firm D would be able to freeze 10 of the securities it has been allocated from the top 100 (category 1). 30% of 30, or 9 securities, would be available from category 2, and 24 securities from category 3 would be available.

Note: Firm E, and any subsequent new firms applying for allocation, can not exceed the same restriction levels as set forth above (i.e., 10 of the top 100 or 20 from categories 2, 3 or 4) in total from the composite of issues drafted from the allocated but unprotected portions of existing Nasdaq books. It could however, request additional allocation from the remaining "unallocated" issues in any category. The intent here is to maintain an equitable distribution of protected stocks among the participants during this initial period of reallocations to new firms.

Now, assume Firm G is approved and applies for allocation one month after Firm E. Firms A through E would all be subject to reallocation under the same guidelines as above. Firms A-E would not be exempt from any future allocations, but would be able to freeze the prescribed amount of securities each time a new firm applies for allocation. Firm G, likewise, is subject to future allocations under the same guidelines.

Note: In the event an existing firm seeks additional allocations at any point during the two-year maturation period, notice will automatically be given to all other existing firms of the allocation request, allowing the other existing firms the opportunity to compete for allocation in the requested securities, within a prescribed time frame. The intent of this provision is to ensure fairness to all firms during the maturation and evaluation stages of the Nasdaq stock allocation process. Additionally, no existing firm will be permitted to seek reallocation of unprotected securities from any other existing firm(s).

After the first six months from commencement of trading, and at each six-month anniversary interval through the remainder of the two-year maturation period, firms will be able to freeze an additional number of securities, as established by the Exchange, within each category. As the example below indicates these additional protective limits will depend upon the remaining number of unprotected securities available in each category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Additional Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>3 additional securities within the top 100</td>
</tr>
<tr>
<td>Category 2</td>
<td>6 additional securities from those rated 101-300</td>
</tr>
<tr>
<td>Category 3</td>
<td>6 additional securities from those rated 301-500</td>
</tr>
<tr>
<td>Category 4</td>
<td>6 additional securities from those rated 501 and above</td>
</tr>
</tbody>
</table>

In certain, limited circumstances, an existing specialist may object to the re-allocation of a particular unprotected security or securities. In such a case, both the existing firm and the new firm will be asked to present to the Market Performance Committee ("MPC") their reasons for objecting to or supporting the allocation request. Existing firms will not be permitted to make blanket objections to having their unprotected securities reallocated, and they will be required to
set forth tangible rationale justifying their objections. Likewise, new firms must justify their allocation requests. The firms will be allowed to present any documentation, testimonials or other relevant evidence supporting their position which they feel would benefit the MPC in their determination of whether the security in question should be allocated as requested, including, but not limited to, reasons based on market quality, payment for order flow, customer relationships, or other factors considered to be in the best interests of the Exchange's markets. The MPC will, based on the presentations and evidence, ultimately decide whether or not a particular security should be allocated to the new firm. The decision of the MPC can be appealed to the Board of Governors of the Exchange, whose decision shall be final. During the allocation request period, and any subsequent periods of committee deliberations and/or appeals, the security in question shall remain in the control of, and actively traded by, the existing firm.

The Exchange may limit the frequency and dates for allocation to additional participants in order to evaluate the impact of reallocations during this two-year maturation period. Although more than one new firm may be approved to begin trading Nasdaq securities on the floor of the Exchange at the same time, the first firm to be approved, chronologically, will be the first allowed to seek reallocation of securities from existing firms. Any such reallocation which may take place will result in new compositions of existing firm's books. Subsequently approved new firms may seek reallocations from the newly composed books of the existing firms. In this way, existing firms are further protected from the possible burden of contemporaneous reallocations. The Exchange will monitor the effectiveness of the program in order to ensure that no disruption of markets will result from frequent reallocations among member firm specialists, and reserves the right to alter this stock allocation process at any time.

Finally, in the event that the number of protected securities (i.e., 10 firms with 10 each in the top 100) matches the limit within a particular category prior to the two year maturation period, the Exchange may re-evaluate those remaining securities unprotected to provide some form of meaningful competitive allocation process to ensure continued growth of this program. Following the two-year period the Exchange will examine its overall program to ensure competitive quality markets are maintained. All allocations regardless of the class or category of registration are subject to review by the Exchange pursuant to its Specialist Performance Evaluation Program ("SPEP").

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 20.
Criteria for Stock Allocation Committee to Consider During Nasdaq Security Allocation

In considering the allocation of Nasdaq securities, the Stock Allocation Committee shall consider the following factors, among others, giving proper weight to each of these measures as it sees fit, while maintaining consistency with previous decisions:

- Specialist Performance (SPEP)
- Specialist experience generally
- Specialist experience trading Nasdaq securities
- Specialist contributions to the market quality of the Boston Stock Exchange
● Specialist's reputation as to quality of executions

● Length of time elapsed since last allocation to specialist

● "Quality" of Nasdaq securities in specialist's book, in terms of volume, liquidity and volatility

● Specialist's reasons for seeking to trade the security, as set forth in his application and/or supplemental materials

● Documented marketing concerns of specialist firm, e.g. order flow arrangements which are contingent on the retention of certain securities

● Market Quality criteria as set forth under the requirements of SEC Rules 11Ac1-5 and 11Ac1-6.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 21.

Change in Listing Status of Nasdaq Security

(a) If a company which has its security solely registered as a Nasdaq security transfers to become an exchange listed security, or in the event of a merger of a Nasdaq security company with a listed security company whereby the listed company is the "survivor" of the merger, the firm whose specialist was registered in the Nasdaq security shall be given preference to register to trade the listed security (subject to acceptable SPEP performance), provided that:

(1) the firm is eligible to trade, and currently registered in at least the minimum number of, as well as involved in the trading of, listed securities on the Exchange;

(2) no other member firm is currently registered in and trading the listed security of the surviving company. If another member firm is currently registered in the surviving company’s listed security, that member firm will be allowed to continue to trade the security, whether registered as a primary or a competing specialist. The firm who originally traded the Nasdaq security of the company which was not a survivor of a merger, or which transferred its status and became an exchange listed security, will be eligible to apply as a competing specialist in that security, provided that all of the other requirements related to the trading of listed securities on the floor of the Exchange are met.

(b) In the event that a company changes its status from an exchange listed security to become registered as a Nasdaq security, allocation preference will be provided to the firm which traded the listed security prior to its status change, provided that the firm is eligible to trade, and engaged in the trading of, Nasdaq securities. If the firm is not eligible to trade the newly registered Nasdaq security, the security's allocation will be subject to standard allocation procedures as outlined in this section, including, if necessary, deliberation and determination of allocation by the Stock Allocation Committee.

Adopted.

October 18, 2001.
Amended
May 22, 2003

SEC. 22.     Merger of Two Nasdaq Securities

In the event of a merger of two companies whose securities are both registered as Nasdaq
securities, with the resultant company's security remaining registered as a Nasdaq security, the
surviving company's security shall be subject to Exchange allocation procedures governing such
actions. As such, if two separate member firms are registered in the separate Nasdaq securities
prior to the merger, the allocation of the resultant security shall be subject to the following:

(1) If the surviving company remains in control of the newly formed or merged company, as
determined by Exchange staff, the member firm, which was originally registered in the security of
the surviving company, shall retain that security.

(2) If Exchange staff cannot determine the control of the surviving company, the Stock Allocation
Committee, taking all relevant factors into consideration, shall determine the allocation of the
security of the surviving company.

Adopted.

October 18, 2001.

Amended
May 22, 2003

SEC. 23.     Swapping Stocks

Specialists shall be permitted to swap stocks on an "as requested" basis, subject to the following:

(1) Specialists who are interested in swapping stocks with another specialist are responsible for
initiating and engaging in negotiations to arrange for the swap.

(2) Swapping of stocks must take place between two separate specialist firms.

(3) Specialist may swap up to three stocks every six months, and must retain any swapped
stocks for at least six months.

(4) Swapping for the intention of circumventing assignment, reassignment or any other
procedures regarding Nasdaq securities is strictly forbidden.

(5) All swap arrangements must be submitted to the MPC for review, on the Stock Swap
Agreement form.

(6) Repetitive stock swaps between two or more firms, or otherwise, for stock retention or any
other purpose, are forbidden.

Adopted.
SEC. 24.  Specialist Request to Deregister in a Nasdaq Security

Generally, a specialist will be permitted to drop an allocated Nasdaq security, provided that a period of at least six months has elapsed since the original assignment.

If a specialist is approved for deregistration in a Nasdaq security, the effective date of the deregistration will be no earlier than 5 days after notice is provided to all order sending firms and other floor specialists registered to trade Nasdaq securities that the specialist is deregistering in such security.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 25.  Disciplinary Action

As detailed in Chapter XV, Dealer Specialists, Section 17, Specialist Performance Evaluation Program, one possible sanction in the Exchange's disciplinary system regarding poor performance of specialists is the temporary or permanent cancellation of a specialist's registration in one or more securities. Should this occur, the MPC will temporarily assign the security affected to another specialist. If the disciplinary action is, or becomes, permanent, the security will be available for assignment under the current stock allocation procedures.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 26.  Reserved.

Rescinded effective September 7, 2006.

SEC. 27.  Non-liability of Exchange

In accordance with Article IX, Section 10 of the Exchange Constitution, the Exchange shall not be liable for any loss sustained by a member or member organization resulting from the use of, or reliance on, the system through which the Exchange provides its members access to trade
Nasdaq securities. Generally, a loss pertaining to an order that is entered through the BSE Nasdaq trading system that does not appear on a saved file will be absorbed by the entering member organization. A loss pertaining to an order that is entered through the BSE Nasdaq trading system which was designated for a particular specialist's post and which does appear on a saved file within the system will generally be absorbed by the specialist.

Adopted.

October 18, 2001.

Amended

May 22, 2003

SEC. 28. Clearly Erroneous Transactions

For the purposes of this section, the terms of a transaction are clearly erroneous when there is an obvious error in any term, such as price, number of shares (or other unit of trading), or identification of the security.

Officers of the Nasdaq Stock Market ("Nasdaq") shall have the authority to review any transaction arising from the use of a Nasdaq system, including, but not limited to, SuperSoes, SelectNet, or SuperMontage. Exchange specialists authorized to trade Nasdaq securities are obligated to cooperate with officers of Nasdaq in their review of clearly erroneous transactions, and to abide by the procedures set forth in Nasdaq Rule 11890 (b) and (c).

Adopted.


Amended

May 22, 2003

SEC. 29. Competing Specialist Initiative

Any specialist can apply to the Exchange to function as a competing specialist pursuant to these procedures:

1. Applications to compete must be directed to the Market Performance Committee in writing and must list in order of preference the stock(s) in which the applicant intends to compete. The Market Performance Committee will use the following guidelines in reviewing an application:

   - overall performance evaluation results of the applicant
   - financial capability
   - adequacy of manpower on the floor
   - objection by the regular specialist in a stock, with or without cause

2. Objections to Competition
a. Any objection by the regular specialist to permit competition in one or more of such specialist's stocks must be in writing on a form designated by the Exchange and filed with the Exchange within 24 hours of notice of the competing specialist's application.

b. A Market Performance Committee meeting will be scheduled to review the reasons for objection, and to determine whether an entering competitor could jeopardize the fair and orderly market maintained by the regular specialist in relation to the stock at issue. The regular specialist will be permitted to appear before the Committee to give the Committee the opportunity to question the regular specialist in regard to the reasons for objection. The applicant (competitor) will also be permitted to appear before the Committee to respond to any issues raised. After the Market Performance Committee renders its decision, either party may appeal to the Executive Committee and then, if necessary, to the Board of Governors.

c. Pending Market Performance Committee review of any objection, competition in the security may be permitted upon the affirmative determination of a majority of the floor members of the Market Performance Committee, based on the standard set forth in Paragraph b. of this Section 30. Pending the outcome of any appeal process, competition in the security at issue will be permitted. The results of such competition may be used by either the regular specialist in support of their objection, or considered by the Market Performance Committee, Executive Committee, or Board of Governors, in their respective determinations.

3. All applicants must be registered with the Exchange as specialists and must meet the current minimum requirements for specialists set forth in Chapter XV, the minimum capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange. A competing specialist will be subject to all of the rules and policies applicable to a regular specialist.

4. All applicant organizations, existing or newly created, must satisfy the Market Performance Committee that they have sufficient manpower to enable them to fulfill the functions of a specialist as set forth in Chapter XV in all of the stocks in which the applicant will be registered either as a regular or a competing specialist.

5. The regular specialist will receive all order flow not specifically directed to a competitor.

6. The specialist/competing specialist is responsible for all orders directed to him/her.

7. In any competitive situation, if either the regular specialist to whom a stock was originally assigned or the specialist organization which subsequently received approval to compete with the regular specialist desires to terminate the competition by requesting that it be relieved of the stock that is the subject of the competition, it should so notify the Market Performance Committee at least three business days prior to the desired effective date of such withdrawal. When the regular specialist requests to be relieved of a stock, the stock shall be posted for reallocation by the Stock Allocation Committee. In the interim, if the Market Performance Committee is satisfied that the competing specialist can continue to maintain a fair and orderly market in such stock, the competing specialist shall serve as the regular specialist until the stock has been reallocated. Where there is more than one competing specialist in the stock, Exchange staff shall place the stock with a caretaker until reallocation.

8. Any competing specialist who withdraws his/her registration in a stock will be barred from applying to compete in that same stock for a period of ninety (90) days following the effective date of withdrawal.
9. Notwithstanding the existence of competing specialist situations, there is only one Exchange market in a security subject to competition. Due to the ease of communications on the Floor via the Stentofon System, it will not be necessary to locate competing specialists adjacent to each other. However, all specialists must be responsible for their portion of the published bid and/or offer, and the Exchange’s Nasdaq trading system will update quotations accordingly. Also, competitors must cooperate with the regular specialist regarding openings and reopenings to ensure that they are unitary.

10. Because there is only one Exchange market in a security subject to competition, all limit orders sent to the Exchange will be maintained by the Exchange’s Nasdaq trading system’s central limit book and will be executed strictly according to time priority as to receipt of the order in the system, irrespective of firm order routing procedures. This rule shall not be applicable where the quotation on the book is for the account of a specialist/competing specialist and another specialist/competing specialist has received an order directed to him. In such event, the specialist/competing specialist can elect to execute the order for his own account at the same price as the other specialist/competing specialist’s order, or a better price, or to permit the order to be executed against the specialist/competing specialist’s quotation.

11. Competing specialists must keep each other informed and communicate to inquiring Floor brokers the full size of any executable “all or none” orders in their possession since all-or-none orders cannot be represented in the published quote. The competing specialists are expected to represent such orders on a “best efforts” basis to ensure the execution of the entire order at a single price or prices, or not at all.

12. The registration of any competing specialist may be suspended or terminated by the Market Performance Committee upon a determination of any substantial or continued failure by such competing specialist to engage in dealings in accordance with the Constitution and Rules of the Exchange.

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1 Only the regular specialist can object to competition in his/her stocks.

2 Unless the regular specialist is unavailable, in which case within 24 hours of becoming available.

3 Once an application is received by the Exchange, notification will be issued to the regular specialist(s) in whose stocks competition is being sought.

4 All appeals must be submitted within ten (10) business days of the final decision of either the Market Performance Committee or the Executive Committee.

5 Once the stock has been reallocated to a regular specialist, that specialist shall not be permitted to object to competition in such stock.

Adopted.

August 9, 2004.

Remote Trading in Nasdaq Securities
Section 30. Nasdaq trading terminals and related equipment will be provided by the Exchange to remote member firm locations for specialist trading. The remote terminals will be linked to the Exchange’s Nasdaq trading system and will provide the same functionality as is available to on-floor specialists. The following shall apply to specialists participating in Nasdaq Remote trading:

(a) All rules and policies of the Board of Governors of the Exchange shall apply except as specifically excluded or amended under this section.

(b) Any eligible firm may apply to the Market Performance Committee to participate in remote trading. All applicants must meet the current minimum requirements for Nasdaq specialists set forth in Chapters XV (Specialists) and XXXV (Trading in Nasdaq Securities) including, but not limited to their background, experience, staffing, training procedures, adequacy of applicant’s proposed confidentiality policy, adequacy of applicant’s contingency plans for communication or technology failures, adequacy of applicant’s offsite facilities, performance standards and the minimum margin, capital and equity requirements as set forth in Chapters VIII and XXII of the Rules of the Exchange, and conform to all other performance requirements and standards set forth in the Rules of the Exchange.

(c) Unless the Market Performance Committee specifically authorizes otherwise, participating member firms shall be prohibited from trading remotely any Nasdaq securities which are currently being traded on-floor by that individual member firm. In evaluating a member firm’s petition for changing the location of where a particular security is traded, the Market Performance Committee shall consider the application in light of the requirements set forth in paragraph (b) above. Individual securities, however, may not be traded by one specialist firm in more than one location under any circumstances.

(d) All rule references pertaining to the trading floor of the Exchange, including:

Chapter I-B, Section 2 (“Dealings on Floor - Hours”);

Chapter I-B, Section 3 (“Dealings on Floor - Persons”);

Chapter II, Section 2 (“Recording of Sales”);

Chapter II, Section 6 (“Bids and Offers for Stocks”);

Chapter II, Section 9 (“Trading for Joint Account”);

Chapter II, Section 10 (“Discretionary Transactions”);

Chapter II, Section 13 (“Trading Against Privileges”);

Chapter II, Section 15 (“Record of Orders from Offices to Floor”);

Chapter II, Section 23 (“Dealing on Other Exchanges, or Publicly Outside the Exchange”);

Chapter II, Section 31 (“Offering Publicly on the Floor”);

Chapter VIII, Section 2 (“Member Organization Account”);

Chapter XV, Section 1 (“Registration”);
Chapter XV, Section 2 ("Responsibilities");
Chapter XV, Section 3 ("Code of Acceptable Business Practices for Specialists");
Chapter XV, Section 5 ("Preference on Competitive Basis");
Chapter XV, Section 6 ("The Specialist's Book");
Chapter XV, Section 9 ("Opening Listed Stock");
Chapter XV, Section 10 ("Hours");
Chapter XV, Section 16 ("Status of Orders When Primary Market Closed");
Chapter XV, Section 18 ("Procedures for Competing Specialists");
Chapter XV ("Special Offerings");
Chapter XVIII, Section 1 ("Penalties");
Chapter XVIII, Section 4 ("Imposition of Fines for Minor Violation(s) of Rules and Floor Decorum Policies");
Chapter XX, Section 6 ("Gratuities");
Chapter XXII, Section 2 ("Capital and Equity Requirements");
Chapter XXXI, Section 2 ("Intermarket Trading System");
Chapter XXXI, Section 3 ("Pre-Opening Application");
Chapter XXXIV ("Minor Rule Violations"); and
Chapter XXXV ("Trading in Nasdaq Securities")

shall be deemed to include any trading done remotely through the Exchange's Nasdaq trading system, and all such trades shall be deemed to be Boston executions on the Exchange.

(e) A written confidentiality policy regarding the location and access to information, terminals and equipment must be adopted by the firm and filed with and approved by the Exchange prior to the commencement of remote trading. Moreover, this policy must conform to all of the requirements set forth in the Rules of the Exchange, including, but not limited to Chapter XV, Section 6 (The Specialist Book), Chapter II, Section 36 (Specialist Member Organizations Affiliated with an Approved Person), and Section 37 (ITSFEA Procedures). In accordance therewith, reasonable principles must be applied to limit access by non-specialists to Remote Specialist facilities and information, and to limit Remote Specialists access to remote from other proprietary trading venues, including access from outcry or visible communication, intentional or otherwise.

(f) Floor policies regarding dress code, and smoking shall not apply. Access to the area designated as that of the Remote Specialist's shall be restricted to the specialist, backup specialist, clerks and designated management of the specialist (operation), and Exchange
authorized personnel, consistent with the Rules of the Exchange, including, but not limited to, “Chinese Wall” procedures set forth in Chapter II, Section 36(Specialist Member Organizations Affiliated with an Approved Person), and procedures set forth in Chapter XV, Section 6 (The Specialist’s Book).

(g) All Exchange correspondence, memoranda, bulletins and other publications shall be sent to the Exchange’s Nasdaq Remote Specialists via electronic means and via U.S. mail or overnight delivery.

(h) All Exchange Nasdaq Remote Specialists will have stentofon (or a similarly operational speakerphone), as well as dedicated telephone access, to the physical trading floor. Any regulatory requirements including trading halts, trading practices, policies, procedures or rules requiring floor official involvement will be coordinated by Exchange personnel with the remote specialist through the dedicated telephone line.

(i) Servicing of the Exchange’s Nasdaq trading system terminals and related equipment shall be by Exchange authorized and trained personnel only.

(j) The Exchange’s examination program of non-DEA floor members would include the remote specialist operations. Every firm must submit specific supervisory procedures relating to the Remote Specialist operations and appropriate identification of all individuals who will have access to the Remote Specialist operation, including all supervisory personnel.

(k) Any arbitration or disciplinary action arising out of trading activity pursuant to this section would be held at the physical offices of the Exchange located in Boston.

(l) Each remote Nasdaq terminal assigned and registered by the Exchange will require an ETP, and will be subject to the following:

1. Each Specialist unit must have at least one registered Exchange seat assigned to the approved specialist.

   a. A specialist may be authorized to obtain additional ETP’s for qualified registered clerks to access the BSE’s Nasdaq Trading System in support of the Specialist unit.

   b. All specialists and registered clerk ETP holders must be approved by the Market Performance Committee and must meet the following:

      i. file an ETP application form with the BSE Surveillance Department;

      ii. completion of the required floor training program; *

      iii. successful completion of the BSE floor examination within 90 days of application;

      iv. successful completion of the Series 63 (NASAA Uniform State Law Exam), and registration with the Commonwealth of Massachusetts, and;

      v. submission of fingerprint records to the BSE.

2. Each Specialist unit identified by the member firm will be assigned an account ("give up") and will be evaluated under the Exchange’s Specialist Performance Evaluation Program ("SPEP") which currently measures performance in several separate categories comprising a relative overall performance ranking.
The Market Performance Committee of the Exchange will consider firm applicants based on a variety of criteria, as identified in Section 31(b), above, including, but not limited to, adequate off-site facilities to ensure compliance with the referenced portions of the Exchange’s rules, and adequate capital to manage the risks associated with this program. For every applicant specialist who is not an existing on-floor specialist, a two week on-floor training period will be required, among the purposes of which will be to benefit the relationship between the Boston floor and the remote specialist.

* Training: On-site floor training for at least two weeks would be waived for current floor specialists and registered clerks who transfer to remote specialist operations. The two-week on-site floor-training period could also be waived in exceptional circumstances, if other arrangements are made with and approved by the Exchange. In such exceptional circumstances, a waiver will only be permitted if the Exchange is assured that the person requesting the waiver has made other arrangements that ensure that the person meets all of the requirements listed below. However, the two week on-site floor training period will not be waived for easily remedied reasons such as geographical location or inconvenience, and will include, among other things:

1. Questioned trade procedures;
2. Communication procedures with Floor Members, Front Desk Operations, Surveillance, and Systems Support;
3. Competing Specialist Initiative ("CSI") and Unlisted Trading Privilege ("UTP") applications and procedures;
4. Stock allocation procedures;
5. Book or symbol change procedures;
6. Trading Halt procedures;
7. Floor official rulings;
8. Authorizations required for billing, withdrawals, and payment of fines where applicable;
9. Minor Rule Plan Violations policies and application;
10. Books and records/reports available;
11. Explanation of the SPEP categories and similar measurements and procedures;
12. Certain other rules and policies deemed appropriate by the Exchange (e.g. Limit Order Display Rule, auto-executions, Price Improvement, etc.).

Adopted.
August 9, 2004.

Chapter XXXVI –

SEC. 1. Delegation, Authority and Access
(a) The Boston Stock Exchange, Inc., delegates to its subsidiary (Boston Options Exchange Regulation, L.L.C, hereinafter "BOXR") the authority to act on behalf of the Exchange as set forth in a Plan of Allocation and Delegation adopted by the Board of Governors and approved by the Securities and Exchange Commission pursuant to its authority under the Securities Exchange Act of 1934 ("Act").

(b) Notwithstanding any delegation of authority to BOXR pursuant to this rule, the staff, books, records and premises of BOXR are the staff, books, records and premises of the Exchange subject to oversight pursuant to the Act, and all officers, directors, employees and agents of BOXR are the officers, directors, employees and agents of the Exchange for purposes of the Act.

Adopted.


SEC. 2.

Plan of Delegation of Functions and Authority by the Boston Stock Exchange, Inc., to Boston Options Exchange Regulation, LLC

The Boston Stock Exchange, Inc. ("BSE" or "Exchange"), the registered national securities exchange pursuant to Section 6 of the Act, is the parent company of the wholly-owned subsidiary BOXR. The Boston Options Exchange ("BOX") is a facility of the BSE pursuant to Section 3(a) of the Act operated by Boston Options Exchange Group, L.L.C. ("BOX LLC")

A. Functions and Authority of the BSE

The BSE shall have ultimate responsibility for the rules and regulations of the Exchange and its operation and administration. As set forth below, the BSE has delegated certain authority and functions to its subsidiary, BOXR. Actions taken pursuant to delegated authority, however, remain subject to review, ratification or rejection by the BSE Board of Governors in accordance with procedures established by that Board. Any function or responsibility of the BSE as a registered national securities exchange under the Act, or as set forth in the Certificate of Incorporation of the Exchange, the Constitution, the By-laws, the BSE Rules, or the L.L.C. Agreement of Boston Options Exchange Group, is hereby reserved, except as expressly delegated to BOXR. In addition, the BSE expressly retains the following authority and functions:

(1) To exercise overall responsibility for ensuring that BSE's statutory and self-regulatory obligations and functions are fulfilled.

(2) To delegate authority to BOXR to take actions on behalf of the Exchange.

(3) To appoint the BOXR Options Officials (an "Options Official" is "an officer of BOXR vested by the BOXR Board with certain authority to supervise option trading on BOX." See Rules of the Boston Options Exchange Facility, Chapter I, Section 1).

(4) To review the rulemaking and disciplinary decisions of BOXR.

(5) To coordinate actions of BOXR and BOX as necessary.

(6) To resolve any regulatory disputes among BOXR and BOX LLC.

(7) To administer common overhead and technology of BOXR and BSE

(8) To administer internal reviews of BOX LLC and BOXR as deemed necessary.
(9) To manage external BSE relations on major regulatory policy and/or surveillance issues regarding the BOX options market.

(10) To direct BOXR and BOX LLC to take action necessary to effectuate the purposes and functions of BOX as a facility of the Exchange.

(11) In the BSE's role as the sole owner of BOXR, to incorporate in its Board of Governors and Nominating Committee responsibilities, a process to elect the Board of Directors of BOXR ("BOXR Board") pursuant to the BOXR L.L.C. Agreement and BOXR By-Laws.

(12) To take action in an area of responsibility delegated to BOXR below.

B. Access to and Status of Books, Records, Premises, Officers, Directors, Agents and Employees of BOX LLC.

(1) Notwithstanding the delegation of authority to BOXR, as set forth below, the books, records, premises, officers, directors, agents and employees of BOX LLC shall be the books, records, premises, officers, directors, agents and employees of BSE for purposes of and subject to oversight pursuant to the Securities Exchange Act. The books and records of BOX LLC shall be subject at all times to inspection and copying by the BSE, BOXR and the Securities and Exchange Commission ("Commission").

(2) BOX LLC is required to maintain all books and records related to BOX within the United States.

(3) Paragraph (1) above shall not create any rights or benefits for any person or entity other than the Commission, the BSE and BOXR.

C. Delegation of Responsibilities and Functions

Subject to Section A(12) above and the review, ratification, or rejection by the BSE Board, the BSE hereby delegates to BOXR and BOXR assumes the following responsibilities and functions with respect to the options business of the Exchange:

(1) To interpret rules and regulations including, but not limited to, trading rules, fees, access to and use of system facilities and participation requirements.

(2) To determine regulatory and trading policies, including developing and recommending necessary or appropriate rule changes to the BSE Board, relating to the business conduct, trading activities and sales practices of BOX Participants and associated persons with respect to, but not limited to, (i) financial responsibility, (ii) qualifications for BOX participation and association with BOX Participants, (iii) clearance and settlement of securities transactions and other financial responsibility and operational matters affecting BOX Participants in general and the securities listed on BOX, (iv) BOX Participant advertising practices, (v) administration, interpretation and enforcement of the Rules of the Boston Options Exchange Facility ("BOX Rules"), including determination of appropriate exemptions for BOX Participants (vi) administration and enforcement of the Options Clearing Corporation ("OCC") rules, the federal securities laws, and other laws, rules and regulations that the BSE has the authority to administer or enforce and (vii) standards of proof for violations and sanctions imposed on BOX Participants and associated persons in connection with disciplinary actions.

(3) To take necessary or appropriate action to assure compliance with BSE and BOX policies and rules, the federal securities laws, and other laws, rules and regulations that the BSE has the authority to administer or enforce, through examination, surveillance, investigation, enforcement, disciplinary, and other programs.
(4) To administer programs and systems for the surveillance and enforcement of rules governing BOX Participants’ conduct and trading activities in BOX.

(5) To examine and investigate BOX Participants and associated persons to determine if they have violated BSE or BOX rules, the federal securities laws, and other laws, rules, and regulations that the BSE has the authority to administer, interpret, or enforce.

(6) To administer the BOXR's enforcement and disciplinary programs regarding BOX Participants, including investigations, adjudication of cases, and the imposition of fines and other sanctions.

(7) To conduct qualification examinations and continuing education programs.

(8) To determine whether applicants for BOX participation have met the requirements for participation established by the BSE.

(9) To place restrictions on the business activities of BOX Participants consistent with the public interest, the protection of investors, and the federal securities laws.

(10) To determine whether persons seeking to register as BOX Participants have met such qualifications for participation as may be established by the BSE, including whether statutorily disqualified persons will be permitted to associate with particular BOX Participants and the conditions of such association.

(11) To oversee all trading activities on BOX.

(12) To propose and assess fees and other charges on BOX Participants, associated persons and others using the products, services or facilities of the Exchange.

(13) To develop, administer and enforce policies and rules of BOX governing listing standards applicable to securities traded on BOX.

(14) To establish the annual budget and business plan for BOXR.

(15) To determine allocation of BOXR resources.

(16) To administer the Exchange's involvement in National Market System Plans related to BOX.

(17) To manage external relations on enforcement, regulatory, and other policy issues regarding BOX and BOX Participants with Congress, the Commission, state regulators, other self-regulatory organizations, business groups, and the public.

(18) To establish internal procedures for considering complaints by Participants, associated persons, and members of the public who request an investigation or disciplinary action by BOXR.

D. Rule Filings.

The BSE Board shall review and ratify a rule change recommended by the BOXR Board before the rule change becomes a final action of the Exchange.

E. Supplemental Delegation Regarding Management and Committees.

The BOXR Board may designate the Chief Executive Officer, another designated officer or one or more committees and delegate to such person or committee such powers and authority, as necessary and appropriate, to act on behalf of the BOXR Board in carrying out the functions and authority delegated to BOXR by the BSE. Such delegations shall be in conformance with law and
the By-laws of BOXR and the BOX Rules. Any action taken by a BOXR officer or committee pursuant to delegated authority shall be subject to review, ratification or rejection by the BOXR Board in accordance with procedures established by the BOXR Board.

Adopted.


Delivery Rules of the BSE

Part I, Deliveries in general

Deliveries in general

In all deliveries of securities the party delivering shall have the right to require the purchase money to be paid upon delivery; if delivery is made by transfer, payment may be required at the time and place of transfer.

In the delivery of stock the receiver shall have the option of receiving said stock by (a) certificate and irrevocable assignment, in the name of, or with signature guaranteed by, a member or member-organization or with signature guaranteed by any commercial bank or trust company or (b) by transfer thereof; but in all cases where personal liability attaches to ownership the seller shall have the right to deliver stock by transfer.

The transferor of securities must on demand of the purchaser supply proof of his authority to transfer or any other requisite which may be necessary to obtain registration of the transfer of the securities.

When books closed

The right to require receipt by delivery or transfer shall not obtain while the transfer books are closed.

Exactness of signatures

The signature to an assignment or power of substitution must be technically correct; i.e., it must correspond with the name as written upon the certificate in every particular without alteration or enlargement, or any change whatever, except that “and” or “&”, “Company” or “Co.”, “Corporation” or “Corp.”, “Incorporated” or “Inc.” may be written either way.

Erasure guarantee

Any alteration or correction in an assignment, power of substitution, or other instrument, shall be guaranteed by the person, firm or corporation executing the same.

Assignments and powers of attorney by trustees, etc.

A certificate with an assignment or power of substitution executed by a (1) person since deceased; (2) trustee or trustees, except trustees acting in the capacity of a board of directors of a corporation or association; (3) guardian; (4) infant; (5) executor; (6) administrator; (7) receiver in bankruptcy; (8) agent; or (9) attorney shall not be a good delivery except as noted under (a) (b) or (c) below:

(a) Domestic individual executor/s or administrator/s
(b) Domestic individual trustee/s under inter vivos or testamentary trusts

(c) Domestic guardian/s including Committees, conservators and curators.

Note: Exceptions -- Domestic -- The above exceptions to the Rule are to cover transfers that will be effected by transfer agents without additional documentation. Such exceptions apply only to securities of a domestic issuer (i.e., one organized under the laws of any state of the United States, and the District of Columbia) which bear the domestic registrations set forth in (a), (b) and (c). Certificates bearing such registration must be properly assigned, and the signature/s must be guaranteed.

Delegated signature

A firm having as a general partner or a corporation having as a holder of voting stock a member of the Exchange may authorize one or more employees to assign registered securities in the firm or corporate name and to guarantee signatures or endorsements, with the same effect as if the name of the firm or corporation had been signed under like circumstances by one of the partners of the firm or by a proper officer of the corporation by executing and filing with the Exchange a separate power of attorney for each employee so authorized.

Assessment paid certificate

Certificates of stock upon which an assessment has been levied, and which have been traded in "assessment paid" are not a valid delivery unless said assessment has been paid and so stamped on the certificate.

Members and member-organizations under suspension

Securities in name of, or guaranteed by, a member-organization or member of the Exchange suspended for insolvency are not a good delivery. If the books are closed, said securities will be a good delivery, during the closing of the books only, when the assignments thereon have been acknowledged before a notary public, verifying the date of execution, which date must have been prior to suspension.

Deceased members and member-organizations which have ceased

Certificates in the name of a deceased person, or of a member-organization which has ceased to exist, are a good delivery only during the close of transfer books, and with proper notarial acknowledgment. When transfer books are closed, if unproved certificates are delivered after death or dissolution, they must be taken back at any time while transfer books remain closed. When transfer books are open, if certificates, whether proven or not, are delivered after dissolution or death, they must be taken back if claim is made within three days, provided transfer books are still open.

Reorganized member-organizations

When a firm or corporation dissolves or liquidates and the business is carried on by a new firm or corporation under the old firm or corporate name, certificates, the assignments of which have been executed by the old firm or corporation, will only be a good delivery when the new firm or corporation shall have written after said assignment "execution guaranteed" with date, and signed the new firm or corporate name thereto.

Non-member individuals or organizations

Certificates in the name of individuals or firms or corporations which have ceased to be members of the Exchange are not a good delivery unless signatures are guaranteed by a member or
member-organization or by a commercial bank or trust company.

**Co-tenancy**

A certificate with an inscription to indicate joint tenancy, tenancy by the entirety or tenancy in common is a good delivery only when signed by all persons indicated as having an interest.

**Qualifications**

A certificate with a qualification, restriction or special designation is not good delivery.

**Certificates in name of corporation**

A certificate in the name of a corporation or an institution, or in a name with official designation, shall be a good delivery only if the receiver is satisfied that proper papers for transfer are filed with the transfer agent.

**Indefinite closing of transfer books**

When transfer books are closed by any legal impediment, so as to render their being open again uncertain, assignments must be acknowledged before a notary public, with seal and date.

**Detached power of attorney**

A detached assignment or power of substitution, must contain a full description of the stock or bond by name of company and number of certificate and must be acknowledged before a notary public, with seal and date. A separate assignment and acknowledgment must accompany each certificate.

Amended.

July 8, 1971.

April 7, 1978.

**Part II, Rights**

**Rights**

Assignment of "Rights" with the signature of the assignor witnessed and guaranteed in the same manner as other assignments, as provided in these Rules, is a delivery, except in cases when two forms are provided, one for the shareholders and another for the broker. In all such cases, the assignment of a Stock Exchange member or member-organization, and not that of the individual shareholder shall constitute a good delivery. When two forms are not provided a member or member-organization may execute assignments of Rights as agent on behalf of his or its customers.

**Part III, Due-bills**

**Due-bills**

Due-bills must be in form as prescribed by the Board of Governors.

**Part IV, Bonds --What constitutes "endorsed bonds"**

Bonds --What constitutes "endorsed bonds"
Coupon bonds, issued to bearer, having an endorsement upon them not properly pertaining to them as a security, must be sold specifically as "Endorsed Bonds" and will not be regarded as a good delivery under a sale not so qualified.

If a definite name --such as John Smith; Brown, Jones & Co.; American Bank-- appears upon a bond, and was not placed there for any purpose of the issuing company by any of its officers, it implies ownership and is an "Endorsed Bond" which must be released by acknowledgment before a notary. The bond is then a good delivery only as an "Endorsed Bond".

Bonds with assignments or releases executed by trustees, guardians, infants, executors, administrators, agents, attorneys, conservators or receivers in bankruptcy are not a good delivery as "Endorsed Bonds".

**Coupon bond delivery**

Coupon Bonds. --Delivery must be in certificates of denominations not exceeding $5,000.

**Registered bond delivery**

Registered Bonds. --Deliveries must be in certificates of denominations not exceeding $10,000.

**Missing coupons**

Coupons on a bond must be those which properly belong to it, of the corresponding number. The money value of a missing coupon may be substituted only with the consent of the Exchange for each delivery.

**Registered bonds to bearer**

Bonds which can be registered in a name or to bearer, and which have been registered in a name, must be registered to bearer to be a delivery. When transfer books are closed, if registered in a name, a separate assignment form, acknowledged before a notary, in name of, witnessed and with signature guaranteed by, a member or member-organization, must accompany each bond.

**Part V, Form of acknowledgement**

**Form of acknowledgement**

Commonwealth of Massachusetts.

County of

On this day of , 19 , before me came (and , husband and wife) (the [e.g. President] of [e.g. Ajax Corporation]) (a partner of the firm of ... ), to me personally known, and acknowledged that he (they) executed the foregoing Assignment and Power of Attorney (on behalf of said [corporation, being thereunto duly authorized] [firm]) for the purpose therein mentioned.

[NOTARIAL SEAL]

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Notary Public

(Inapplicable alternatives should be deleted.)
Chapter XXXVII – Boston Equities Exchange (“BeX”) Trading System

The Boston Equities Exchange (“BeX”) trading system is a fully-automated facility of the Exchange, which allows eligible orders in eligible securities to electronically match and execute against one another.

Section 1. BeX Eligible Securities

(a) Eligible Securities. All securities eligible for trading on the Exchange shall be eligible for trading through BeX. Any specialist’s request to remove a security from BeX shall be considered by the appropriate Board Committee.

Amended.

September 29, 2006.

Section 2. Eligible Orders

(a) All orders sent to BeX must be round lot, odd-lot or mixed-lot market or limit orders, specifically designated in the manner specified by the Exchange for trading in BeX. For stocks, 100 shares shall constitute a “round lot,” any amount less than 100 shares shall constitute an “odd-lot,” and any amount greater than 100 shares that is not a multiple of a round lot shall constitute a “mixed-lot.”

(b) All orders sent to BeX must be for regular way settlement.

(c) Eligible order types:

(i) Orders eligible for execution in BeX may be designated as one of the following existing BSE order types as defined in Chapter I, Section 3 except that any reference in the existing BSE Rules to the execution of Orders as soon as “represented at the specialist’s post” shall for purposes of this Section be understood to mean “entered in BeX”:

(A) At the Opening or At the Opening Only Order
(B) Day Order
(C) Do Not Increase (DNI)
(D) Do Not Reduce (DNR)
(E) Fill or Kill
(F) Good ‘Till Cancel Order
(G) Immediate or Cancel
(H) Limit, Limited Order or Limited Price Order
(I) At the Close
(J) Market Order
(K) Stop Limit Order
(L) Stop Order

With the exception of Fill or Kill and Immediate or Cancel Orders, a Member may append to an order an instruction that the order be routed to the market(s) displaying the National Best Bid or Offer if the order would trade through the National Best Bid or Offer if executed on the BeX. Absent such an instruction the order will be cancelled.
(ii) Orders eligible for execution in BeX may also be designated as one of the following additional order types:

(A) “Cross”: An order to buy and sell the same security at a specific price better than the best bid and offer displayed in BeX and equal to or better than the National Best Bid and Offer. A Cross Order may represent interest of one or more BSE Members.

(B) “Cross with Size”: A Cross Order to buy and sell at least 5,000 shares of the same security with a market value of at least $100,000.00 (i) at a price equal to or better than the best bid or offer displayed in BeX and the National Best Bid or Offer (ii) where the size of the order is larger than the largest order displayed in BeX at that price.

(C) “Good ‘Till Date (GTD)”: An order to buy or sell that, if not executed, expires at the end of date specified in the order.

(D) “Good ‘Till Time (GTT)”: An order to buy or sell that, if not executed, expires at the time specified in the order.

(E) “Limit or Close ”: A limit order to buy or sell that if not executed prior to the Market on Close cutoff time of 3:40 p.m., pursuant to Chapter II, Section 22, will automatically convert to an At the Close Order for inclusion in the closing process and if not so executed at the close, will be cancelled.

(F) “Mid-Point Cross ”: A two-sided order with both a buy and sell component combined that executes at the midpoint of the National Best Bid or Offer. A Mid-point Cross Order will be rejected when a locked or crossed market exists in that security at the time the Order is received. Midpoint Cross Orders may be executed and reported in increments as small as one-half of the Minimum Price Variation.

(G) “Post Primary Cross”: A single-priced cross order entered during the Post Primary Trading Session.

(H) “Reserve”: A Limit Order with a portion of the size displayed and with a reserve portion of the size that is not displayed. A Reserve Order cannot be an IOC Order or Market Order.

(I)”Minimum Quantity”: A Minimum Quantity Order is an order subject to the provisions of Chapter XXXVII, Section 6, that, upon entry, must be executed at least at its minimum quantity or it will be cancelled. If executed in part, the remaining quantity remains in the book and follows the execution rule of the order type. A Stop Limit Order can be a Minimum Quantity Order and, at the election of the order, will be handled pursuant to subsection (j) of Section 3.

(J)”Preferred Price Cross”: A Two-Sided Cross Order with a “Preferred Limit Price” set by the Member. A Preferred Limit Price is the limit price at which the two-sided cross order will be executed if it is better than the best bid and offer displayed on BeX and equal to or better than the National Best Bid or National Best Offer. When the Preferred Limit Price does not meet the above conditions the execution price of the order will be the closest price above or below the Preferred Limit Price, such that the execution price is better than the best bid and offer displayed on BeX and equal to or better than the National Best Bid or National Best Offer by a Minimum Price Variation. When the best bid and offer on BeX are equal to the National Best Bid and Offer and are one Minimum Price Variation apart, the execution price will be at the midpoint of the National Best Bid and Offer.
(K) Best Price Intermarket Sweep Order ("BPISO"): A Best Price Intermarket Sweep Order (BPISO) is an order marked as required by SEC Rule 600(b)(30) of Regulation NMS that is to be executed against any orders at the Exchange’s Best Bid or Best Offer (including any undisplayed orders at that price) as soon as the order is received by BSE, with any unexecuted balance of the order to be immediately cancelled. BSE, in executing the BPISO, shall not take any of the actions described in Chapter XXXVIII, Section 4 to prevent an improper trade through. BPISO Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(L) Automated Immediate or Cancel ("AIOC"): An automated immediate or cancel order received on BSE will execute immediately and automatically, either in whole or in part, at or better than its limit price, with any unexecuted balance of the order to be immediately cancelled. The unexecuted portion of the order will not be routed to another Trading Center. AIOC Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(M) “Price-Penetrating ISO”: An order marked as required by SEC Rule 600(b)(30) of Regulation NMS that is to be executed at or better than its limit price as soon as the order is received by BSE, with any unexecuted balance of the order to be immediately cancelled. Orders marked as price-penetrating ISO shall be executed against any eligible orders in BSE through multiple price points (including any undisplayed orders). BSE, in executing these orders, shall not take any of the actions described in Chapter XXXVIII, Section 4 to prevent an improper trade through. Price-Penetrating ISO Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(N) ISO Cross Order: A two sided order marked as required by Rule 600(b)(30) of Regulation NMS that, upon receipt, will be executed without any action on the part of the Exchange to prevent an improper trade through. ISO Cross Orders must be priced better than the best bid or offer displayed on BeX. ISO Cross Orders cannot be submitted until the Regulation NMS Trading Phase Date or an exemption from the ITS Plan is obtained.

(O) Cancel on Corporate Action: In the event of a dividend, distribution or stock split ("Corporate Action"), the order in the limit book will be cancelled.

(P) Non-Displayed Order: A Limit Order, Limit or Close Order or Stop Limit Order that is not displayed in BeX but which remains available for potential execution against all incoming orders until executed in its entirety or cancelled. In the event a Non-displayed Order that crosses the National Best Bid or Offer is submitted, that order would either be cancelled or, at the instruction of the Member entering the order, routed to an away trading center(s). Similarly, if a Non-displayed Order already on the BeX book crosses the National Best Bid or Offer as a result of movement in the marketplace, that order would either be cancelled or, at the instruction of the Member entering the order, routed to an away trading center(s). Non-displayed Orders that are routed to away Trading Centers at the instruction of the Member will be routed as displayed orders.

(Q) "NMS Cross Order": an order that contains:

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

(B) an instruction (i) to execute all displayed and undisplayed orders or undisplayed portions of orders already in BeX at their limit prices (up to a specified number of shares) against a specified party to allow the cross transaction to occur and/or
(ii) to route outbound orders to other Trading Centers to the extent necessary to prevent an improper trade-through.

An NMS Cross may represent interest of one or more Members of the Exchange but, to the extent that it represents interest of the Member sending the order to BeX, the Member shall not be eligible to satisfy existing bids or offers in BeX at a price that is better than the cross price (when a Member's customer is on the same side of the order as the Member) and could only satisfy bids or offers in other markets at a price that is better than the cross price if the cross is for at least 10,000 shares or has a value of at least $200,000 (a “block size order”) or is for the account of an institutional customer (as that term is defined in Interpretation and Policy .03, below) and the Member's customer has specifically agreed to that outcome. Members must handle their customer limit orders with due care so as to comply with Chapter II, Section 11 of these Rules prohibiting a Member from trading ahead of customer orders.

The NMS Cross Order provides a Member with an efficient mechanism to clear out orders in BeX that would otherwise have time or price priority (and/or displayed bids or offers in other Trading Centers that would otherwise have price priority) and then to effect a cross transaction at a particular price. If an NMS Cross Order is sent with a share size that is too small to satisfy orders in BeX or bids or offers in other markets, as applicable, the order will be automatically cancelled. Once the satisfying execution has occurred (or, for orders sent to other Trading Centers, those orders have been sent), the cross will be executed at a price that is better than the best bid or offer in BeX.

(d) Orders may be entered by a Member on its own behalf, for the account of another Member (collectively, professional orders) or for the account of a customer (an agency order). In BeX, however, agency orders are subject to the same display and execution processes as professional orders, and agency orders do not receive any priority in order execution or handling.

**Interpretations and Policies**

.01 The terms “Best Bid” and “Best Offer” shall mean, respectively, the highest and lowest priced order to buy and sell an eligible security in BeX.

.02 The terms “National Best Bid” and “National Best Offer” shall mean, respectively, the highest and lowest priced order or quote to buy and sell a BeX eligible security displayed in the consolidated quotation system for the security.

.03 For purposes of the NMS Cross Order, the term "institutional customer" shall mean the account of:

(a) a bank, savings and loan association, insurance company or registered investment company;

(b) an investment advisor registered either with the Securities and Exchange Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or
(c) any other entity (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

Amended.

September 29, 2006.
April 17, 2007.

Section 3. Operation of BeX

(a) Operating Hours. BeX will operate from 7:30 a.m. until 6:30 p.m. during the Exchange’s Pre-Opening, Opening, Primary and Post-Primary Trading Sessions.

(i) For purposes of this Chapter XXXVII, the primary market for a security is, unless otherwise designated by the appropriate Board committee, the listing market for that security. If a security is dually listed, the primary market for that security is the market where the security was listed first.

(b) Pre-Opening. BeX will accept orders each day during the Pre-Opening. The Pre-Opening in BeX extends from 7:30 a.m. until 9:30 a.m. During the Pre-Opening, orders are placed on the BeX but will not be matched and do not generate trade executions. Market participants are permitted to add, modify or cancel orders. Cross, Cross with Size, ISO Cross, Preferred Price Cross and Mid-point Cross Orders do not participate in the opening and are not accepted by the BeX trading system during the Pre-Opening.

(c) Opening. BeX will open for trading each day once the primary market for a security opens its market on either a displayed quote or trade.

Primary Market Opening Procedures (PMOP). (i) Where the primary market opens on a trade print, the BeX opening price will match the primary market opening price for each individual security opened. Once the BeX opening price has been determined, all eligible orders priced equal to or better than the BeX opening price will be paired for execution at the determined price following applicable BeX priority rules.

(ii) Where the primary market opens on a displayed quote, the BeX will open as follows:

(a) where there are no orders in the BeX that can be matched, the BeX will open on a quote;

(b) where there are orders in the BeX that can be matched, (such as a Market Order to Market Order, Limit Order to Market Order, or Limit Orders that lock or cross) the BeX opening price will be the Theoretical Opening Price (“TOP”), provided the TOP is at or within the National Best Bid and Offer. In the event the only orders in the BeX at the opening are Market Orders, the TOP will be the prior day’s closing price and, so long as that price is within the National Best Bid or Offer, the orders will be executed at that price or, if that price is not within the National Best Bid or Offer, the order would be routed, at the instruction of the Member entering the order, to the market center(s) displaying that National Best Bid or Offer. If the Member has not provided the necessary instruction to route the order, it will be cancelled;

(c) where there are orders in the BeX that can be matched, and the TOP is not at or within the National Best Bid and Offer, the BeX opening trade price will be at the National Best
Bid or Offer closest to the TOP so long as Orders can be matched at that price. If Orders cannot be matched at that price, the BeX will open on a quote:

(iii) Following the opening execution process in an individual security where orders have been matched, all orders remaining that are executable against the National Best Bid or Offer will either be cancelled or, at the instruction of the Member entering the order, routed to the market center(s) displaying the National Best Bid or Offer. All other Orders will be booked on the BeX.

(iv) The TOP.
(a) The TOP is the price that maximizes the quantity of orders traded on the BeX at the opening;
(b) If multiple prices exist under subparagraph (a), above, then the TOP is the price that minimizes the quantity of orders not traded;
(c) If multiple prices exist under subparagraph (b), above, then the price that minimizes any order imbalance is the TOP;
(d) If multiple prices exist under subparagraph (b) and there is no order imbalance, the TOP is the price closest to the previous day’s closing price.

(d) Primary Trading Session. BeX will operate the Primary Trading Session immediately following the opening for an individual security on its primary market, as determined in accordance with subparagraph (a)(i). During the primary session, orders are automatically executed as soon as a match can be found, following applicable BeX priority rules.

(e) Trading Halts. BeX will halt trading during regulatory trading halts called by the primary or listing market in a security. Additionally, BeX will halt its operation during periods of unusual market conditions pursuant to Chapter II, Section 34A. If trading in an issue has been halted, BeX will go through its Pre-Opening and Opening procedures as set forth above.

(f) Closing. BeX will close as follows:

(i) Market on Close Period: Beginning at 3:40 p.m. (ET), BeX will broadcast the imbalance between the At the Close and Limit or Close Orders on the bid side and the At the Close and Limit or Close Orders on the sell side.

(A) During this period At the Close Orders will only be accepted on the imbalance side.

(B) During this period At the Close and Limit or Close Orders cannot be cancelled.

(ii) BeX will provide a group closing by putting all eligible orders received by 4:00 p.m. into an “Authorized Reserve State (ARS).” During ARS, BeX will not accept any new orders, cancellations or modifications. When BeX receives the closing price message from the primary market, as defined in Section 3(a)(i) above, the BeX trading system will complete the closing process for each individual security. During the closing process, all paired At the Close and Limit or Close Orders are executed at the primary market closing price. If an At the Close or Limit or Close Order is not fully executed at the close, any part not executed will be cancelled.

(iii) Trading of Exchange Traded Funds. Exchange Traded Funds (“ETF’s”) may trade on BeX until 4:15 p.m. Eastern Standard Time each business day. ETF’s will cease matching in the BeX system after 4:15 p.m. ETF’s cannot be submitted as Limit or Close Orders, they will not participate in the Market on Close Period described in subsection
(f)(i), above, and they will not be placed in the Authorized Reserve State described in subsection (f)(ii), below.

(g) Post-Primary Trading Session (PPS). The BeX PPS will operate from the time when the primary market disseminates its closing price until 6:30 p.m. During the BeX PPS only Post Primary Cross Orders at a specific price may be submitted.

(h) Receipt of Orders. Orders shall be routed to BeX using one of the following methods:

(i) Except for the orders described in subparagraph (ii) below, all orders must be sent to BeX through the Exchange’s systems or through other communication lines approved by the Exchange for the delivery of orders by its Members.

(ii) ITS commitments for ITS-eligible securities traded in BeX shall be sent through the ITS system.

(i) Ranking and Display of Orders. Except for Cross, Cross with Size, Mid-point Cross Orders, Post Primary Cross, ISO Cross Orders and Preferred Price Cross Orders, which shall be executed as described in Paragraph (k) below, all orders sent to BeX shall be ranked according to their price and time of receipt, as follows:

(i) Limit Orders shall be ranked based on their limit prices and times of receipt by BeX.

(ii) All eligible orders shall be immediately and publicly displayed through the processes set out in the appropriate transaction reporting plan for each security when they constitute the best bid or offer in BeX for that security, provided, however, that an order that would lock or cross another ITS market shall be cancelled or, at the instruction of the Member entering the order, routed to the market center(s) displaying the National Best Bid or Offer.

(iii) The displayed portion of Reserve Orders (not the reserve portion) shall be ranked at the specified limit price and the time of order entry with its initial display quantity. If the displayed portion of the Reserve Order is decremented such that an odd-lot quantity remains from the initial displayed quantity the odd-lot quantity will not be displayed, but will keep its ranking in time priority. If the displayed portion of the Reserve Order is decremented such that a mixed lot quantity remains from the initial displayed quantity only the round lot portion of the mixed lot quantity will be displayed, but both the round lot and odd-lot portions of the mixed-lot quantity will keep their rankings in time priority. A Reserve Order will be replenished when the initial display quantity has been executed in its entirety, with the newly displayed quantity ranked at the specified limit price at the time of replenishment. The displayed portion of the Reserve Order shall be replenished for: a) the initial display quantity; or b) if the remaining reserve quantity is smaller than the initial display quantity, the entire reserve quantity; provided that any odd-lot amount or odd-lot portion of a mixed-lot will not be displayable, but will nevertheless be ranked in time priority as of the time it would have been displayed as a part of the replenishment had it not been an odd-lot quantity and will be handled in accordance with the applicable provisions of subsection (iv) of this section.

Displayed orders on BeX will be ranked in price time priority. Within each price level orders are ranked in time priority based on the time the order is displayed (in the case of reserve quantities of Reserve Orders they are considered displayed when replenished). Undisplayed orders on BeX, such as Non-displayed orders and reserve quantities of Reserve Orders, will be ranked after all other displayed orders at that price level and will be ranked in time priority amongst all undisplayed orders. For purposes of ranking any odd-lot remainder portion of a previously displayed Reserve Order initial display quantity
that was decremented, although no longer displayable, is considered displayed and retains the time priority from when the initial display quantity was displayed.

(iv) For quote and display purposes of securities, BeX will aggregate all shares, including odd-lot share amounts, entered by a Member at a single price level and then round that total share amount down to the nearest round lot amount for display and dissemination. Though rounded, any odd-lot portion or a quote/order that is not displayed as a result of the rounding process will remain in BeX, with the time priority of its original entry, and be continuously available for execution. Round-lots that are subsequently reduced by executions to mixed lot amounts will be rounded for display purposes to the nearest round-lot amount at that same price level. Any odd-lot number of shares that do not get displayed as a result of this rounding will remain in BeX with time priority of their original entry and thus be continuously available for execution.

(v) Except as otherwise permitted by Interpretations and Policies .02 - .03 below, BeX will provide pre-trade anonymity for all submitted orders. All orders at all price levels on BeX shall be displayed to all Members on an anonymous basis and transactions executed on BeX will be processed anonymously, unless otherwise indicated. At the point of order entry, Members may request post-trade anonymity through clearing in addition to the automatic pre-trade anonymity. When at least one Member requests post-trade anonymity, the transaction reports will indicate the details of the transaction, but will not reveal contra party identities.

Interpretations and Policies:

.01 No Member having the right to trade through the facilities of BeX and who has been a party to or has knowledge of an execution shall be under obligation to divulge the name of the buying or selling firm in any transaction.

.02 Except as otherwise permitted by Interpretations and Policies .03 - .04 below, no Member shall transmit through the facilities of BeX any information regarding a bid, offer, other indication of an order, or the Member's identity, to another Member until permission to disclose and transmit such bid, offer, other indication of an order, or the Member's identity has been obtained from the originating Member or the originating Member affirmatively elects to disclose its identity.

.03 BeX will reveal the identity of a Member in the following circumstances:

(A) For regulatory purposes or to comply with an order of a court or arbitrator;
(B) When the National Securities Clearing Corporation ("NSCC") ceases to act for a Member or the Member's clearing firm, and NSCC determines not to guarantee the settlement of the Member's trades;
(C) On risk management reports provided to the contra party of the Member or Member's clearing firm each day by 4:00 p.m. (E.S.T.) which disclose trading activity on the aggregate dollar value basis; or
(D) Unless otherwise instructed by a Member, BeX will reveal to a Member, no later than the end of the day on the date an anonymous trade was executed, when the Member's quote or order has been decremented by another quote or order submitted by that same Member.

.04 In order to satisfy Members' record keeping obligations under SEC Rules 17a-3(a)(1) and 17a-4(a), BSE shall retain for the period specified in Rule 17a-4(a) the identity of each Member that executes an anonymous transaction described in paragraph (iv) of this rule. The
information shall be retained by BSE in its original form or a form approved under Rule 17a-6. Members shall retain the obligation to comply with SEC Rule 17a-3(a)(1) and 17a-4(a) whenever they possess the identity of their contra party.

(j) Automated Matching and Execution of Orders. Orders shall automatically be matched and executed against each other, as follows:

(i) Except for Cross, Cross with Size, Mid-point Cross Orders and Post Primary Cross Orders, which shall be executed as described in Paragraph (k) below, an incoming order shall be matched against one or more orders in the BeX in the order of their ranking, following price and time priority for the full amount of shares available at that price, or for the size of the incoming order, if smaller. If an incoming Limit Order would trade through (as defined in the ITS Plan) the National Best Bid or Offer if executed on the BeX at the time of receipt, it will be cancelled or, at the instruction of the Member entering the order, routed to the market(s) displaying the National Best Bid or Offer.

(ii) If an incoming Limit Order cannot be matched when it is received and it is not designated as a type that should be immediately cancelled the order shall be treated in accordance with Section 3, Paragraph (i) above.

(iii) If an incoming Market Order would trade-through (as defined in the ITS Plan) the National Best Bid or Offer if executed on the BeX at the time of receipt, it will either be cancelled or, at the instruction of the Member entering the order, routed to the market(s) displaying the National Best Bid or Offer.

(iv) An inbound ITS commitment, if it is priced at or better than the current Best Bid or Offer in BeX, shall be automatically executed against the order(s) reflected in the Best Bid or Offer, for the full amount of shares available at that price, and any remaining portion of the ITS commitment shall be automatically cancelled.

(v) Orders shall only be matched at prices that are equal to, or better than, the National Best Bid or Offer.

(k) Submission of Cross Orders. Cross, Cross with Size, Mid-point Cross Orders, Post Primary Cross, ISO Cross and Preferred Price Cross Orders shall be automatically executed if they meet the requirements set out in Section 2(c)(ii)(A), (B), (F), (J) and (N) above. If an order designated as Cross, Cross with Size, Mid-point Cross, Preferred Price Cross, ISO Cross or Post Primary Cross does not meet such requirements at the time it is received by BeX, it shall be immediately cancelled.

Amended.

September 29, 2006.
November 30, 2006.
December 14, 2006.
April 17, 2007.

Section 4. Cancellation of Transactions

(a) Cancellation of Transactions. A transaction made in demonstrable error and cancelled by both parties may be unwound, subject to the approval of the Exchange. Unresolved controversies relating to transactions that occur in BeX, and which are not addressed pursuant to
the procedures in Section 5, Paragraph (a) below shall be subject to the arbitration rules of the Exchange set out in Chapter XXXII of the Rules.

Section 5. Handling of Clearly Erroneous Transactions

(a) Handling of Clearly Erroneous Transactions. The Exchange will respond to requests for review of clearly erroneous transactions using the following procedures:

(i) The terms of a transaction are “clearly erroneous” where there is an obvious error in any term, such as price, number of shares or other unit of trading, or identification of the security.

(ii) Any Member may request a review of an execution received through BeX when the Member believes that the terms of the transaction were clearly erroneous when submitted.

(A) The Member must make a request for review immediately after the execution and also must provide a written request, by facsimile or by e-mail, within 15 minutes after the execution.

(B) The Exchange shall promptly notify the other party to the transaction of the request for review.

(C) The Member making a request for review shall provide, within 30 minutes after making the written request for review (or within such longer period of time specified by Exchange staff), written documentation relating to the disputed transaction that is reasonably necessary for use by the Exchange in resolving the matter. The other party to the transaction shall provide, within 30 minutes after receiving notice from the Exchange of the request for review (or within such longer period of time specified by Exchange staff), written documentation relating to the disputed transaction that is reasonably necessary for use by the Exchange in resolving the matter. Once a party has submitted its documentation, and the period for providing the documentation has ended (or, if earlier, the party has notified the Exchange that it has no further information), the party may not provide additional information unless requested to do so by Exchange staff. Either party to the transaction may request, and the Exchange shall provide, the written documentation submitted by the other party.

(D) The Exchange’s Chief Regulatory Officer (“CRO”) or another officer designated by the CRO shall review the transaction and determine whether it is clearly erroneous. In making that determination, the CRO or another officer designated by the CRO shall consider the goals of maintaining a fair and orderly market and the protection of investors and the public interest.

(E) If the CRO or another officer designated by the CRO determines that a transaction is not clearly erroneous, the Exchange shall notify both parties, in writing, that no action will be taken with respect to the completed trade. If the CRO or another officer designated by the CRO determines that a transaction is clearly erroneous, the CRO or another officer designated by the CRO shall declare the transaction null and void or modify one or more of the terms of the transaction with the aim of trying to return the parties to the positions that they would have been in (or to positions reasonably similar to those positions) if the error had not occurred. The Exchange shall document this decision in writing and provide copies of the decision to all parties.
(iii) Either party may appeal this determination to a subcommittee of the Exchange’s Regulatory Oversight Committee (“ROC”) by submitting an appeal to the Exchange’s Secretary, by facsimile or in writing, within 30 minutes after receiving the Exchange’s written decision or, if the Exchange notifies parties of its decision after 4:00 p.m., by 9:30 a.m. the next trading day. Once an appeal is received, the Exchange shall notify the counterparty to the trade and both parties and the Exchange itself will be permitted to submit any additional supporting written materials up to the time that the subcommittee considers the appeal. Either party to a disputed trade may request, and the Exchange shall provide, the written documentation presented to the subcommittee by the other party or by the Exchange. An appeal does not operate as a stay on the decision being appealed. After consideration of any written materials provided by the parties or by the Exchange, and after any hearings that the subcommittee may hold, the subcommittee, using the standards set out in this rule, shall affirm, modify or reverse the original decision. The subcommittee’s decision on a matter shall be the final Exchange action on the matter. Any decision by the CRO or another officer designated by the CRO under subparagraph (ii) above or by the ROC subcommittees under this subparagraph (iii) shall be rendered without prejudice as to the rights of the parties to the transaction to submit their dispute to arbitration.

(iv) If there is any disruption or malfunction in the use or operation of BeX, or the communications systems associated with BeX, the CRO or another officer designated by the CRO may declare any transaction arising out of the use of BeX during the period of the disruption or malfunction null and void or may modify the terms of these transactions. In making this decision, the CRO, or any designee, must find that the transactions were clearly erroneous or that the actions are necessary for the maintenance of a fair and orderly market or the protection of investors and the public interest. Absent extraordinary circumstances, any action by the CRO or other designee shall be taken within 30 minutes of detection of the erroneous transaction, but in no event later than 3:00 p.m. on the trading day following the date of the trade at issue. The Exchange shall notify each Member involved in the transaction as soon as practicable following the decision and any party to the transaction may appeal that decision by following the procedures set out above in subparagraph (iii) of this rule.

Section 6. Orders to be Reduced and Increased on Ex-Date

(a) When a security is quoted ex-dividend, ex-distribution, ex-rights or ex-interest, the following kinds of orders shall be reduced by the value of the payment or rights, and increased in shares in the case of stock dividends and stock distributions which result in round-lots, on the day the security sells ex:

(i) Open buying orders;
(ii) Open stop orders to sell. (With open stop limit orders to sell, the limit, as well as the stop price, shall be reduced.)

The following shall not be reduced:

(i) Open stop orders to buy;
(ii) Open selling orders.

(b) Reduction of orders, Odd amounts. When the amount of a cash dividend is not equivalent to or is not a multiple of the fraction of a dollar in which bids and offers are made in the particular stock, orders shall be reduced by the next higher variation.

(c) Reduction of orders, Proportional procedure. Open buy orders and open stop orders to sell shall be reduced by the proportional value of a stock dividend or stock distribution on the
day a security sells ex-dividend or ex-distribution. The new price of the order is determined by dividing the price of the original order by 100% plus the percentage value of the stock dividend or stock distribution. For example, in a stock dividend of 3%, the price of an order would be divided by 103%.

The chart below lists, for the more frequent stock distributions, the percentages by which the prices of open buy orders and open stop orders to sell shall be divided to determine the new order prices.

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Divided by</th>
<th>Distribution</th>
<th>Divided by</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-for-4</td>
<td>125%</td>
<td>2-for-1</td>
<td>200%</td>
</tr>
<tr>
<td>4-for-3</td>
<td>133 1/3%</td>
<td>5-for-2</td>
<td>250%</td>
</tr>
<tr>
<td>3-for-2</td>
<td>150%</td>
<td>3-for-1</td>
<td>300%</td>
</tr>
<tr>
<td>5-for-3</td>
<td>166 2/3%</td>
<td>4-for-1</td>
<td>400%</td>
</tr>
</tbody>
</table>

If as a result of this calculation the price is not equivalent to or is not a multiple of the fraction of a dollar in which bids and offers are made in the particular security, the price should be rounded to the next lower variation.

In reverse splits, all orders (including open sell orders and open stop orders to buy) should be cancelled.

(d) Procedure for increase in number of shares. When there is a stock dividend or stock distribution, open buy orders and open stop orders to sell shall be increased in shares as follows:

(i) When there is a stock dividend or stock distribution which results in one or more full shares for each share held, the number of shares in open buy orders and open stop orders to sell shall be increased accordingly.

EXAMPLES:
- A 3-for-1 stock distribution.
  - An order for 100 shares is increased to 300 shares.
  - An order for 200 shares is increased to 600 shares.
  - An order for 500 shares is increased to 1500 shares.

(ii) When there is a stock dividend or stock distribution of less than a one-for-one basis and thus results in fractional shares, open buy orders and open stop orders to sell shall be increased to the lowest full round-lot.

EXAMPLES:
- A 25% stock dividend or a 5-for-4 stock distribution.
  - An order for 100 shares remains at 100 shares.
  - An order for 300 shares remains at 300 shares.
  - An order for 900 shares is increased to 1100 shares.
  - An order for 2000 shares is increased to 2500 shares.

(iii) When there is a stock dividend or stock distribution which results in fractional shares combined with full shares, the number of shares in open buy orders and open stop orders to sell shall be increased to the lowest full round-lot.

EXAMPLES:
- A 5-for-2 stock distribution.
An order for 100 shares is increased to 200 shares.
An order for 200 shares is increased to 500 shares.
An order for 700 shares is increased to 1700 shares.
An order for 1200 shares is increased to 3000 shares.

Section 7. Application of BSE Rules

(a) The rules and procedures in this Chapter shall apply to trading conducted in BeX. Unless otherwise defined in this Chapter, terms used in this Chapter shall have the same meanings given them elsewhere in the Rules. Except where the context requires otherwise, the provisions of the bylaws and all other Rules and policies of the Board of Governors shall continue to be applicable to trading that occurs on the BeX. If any rule in this Chapter is inconsistent with any other provision of the Rules, the provisions of this Chapter shall control and shall be deemed to supplement or amend the inconsistent provision.

b) Inapplicable.
c) Inapplicable.

Adopted.


Section 8. Approval of Market Makers

(a) No Member shall act as a Market Maker in any security unless such Member has been approved as a Market Maker in such security by the Exchange pursuant to this Section and the Exchange has not suspended or canceled such approval. Approved Market Makers are designated as dealers on the Exchange for all purposes under the Securities Exchange Act of 1934 and the rules and regulations thereunder.

(b) An applicant shall file an application for Market Maker status on such form as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider such factors including, but not limited to capital operations, personnel, technical resources, and disciplinary history.

(c) An applicant's Market Maker status shall become effective upon receipt by the Member of notice of an approval by the Exchange. In the event that an application is disapproved by the Exchange, the applicant shall have an opportunity to be heard upon the specific grounds for the denial, in accordance with the provisions of Chapter XXX of the BSE Rules.

(d) A Market Maker may be suspended or terminated by the Exchange upon a determination of any substantial or continued failure by such Market Maker to engage in dealings in accordance with Section 10, below.

(e) Any Market Maker may withdraw its Market Maker status by giving written notice to the Exchange. Such withdrawal shall become effective on the tenth business day following the Exchange's receipt of the notice. A Market Maker who fails to give a ten-day written notice of withdrawal to the Exchange may be subject to formal disciplinary action pursuant to Chapter XXX. Subsequent to withdrawal, the Member shall not be permitted to re-apply as a Market Maker for a period of six months.
Section 9. Assignments of Market Maker in a Security

(a) A Market Maker may be assigned a newly authorized security or in a security already admitted to dealings on the BeX by filing an assignment request form with the Exchange. Assignment of the security shall become effective on the first business day following the Exchange's approval of the assignment. In considering the approval of the assignment of the Market Maker in a security, the Exchange may consider:

1. the financial resources available to the Market Maker;
2. the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;
3. the Market Maker's operational capability;
4. the maintenance and enhancement of competition among Market Makers in each security in which they are assigned;
5. the existence of satisfactory arrangements for clearing the Market Maker's transactions; and
6. the character of the market for the security, e.g., price, volatility, and relative liquidity.

(b) A Market Maker's assignment in a security may be terminated by the Exchange if the Market Maker fails to enter quotations in the security within five (5) business days after the Market Maker's assignment in the security becomes effective.

(c) The Exchange may limit the number of Market Makers in a security upon prior written notice to Members.

(d) Market Makers shall be selected by the Exchange. Such selection shall be based on, but is not limited to, the following: experience with making markets in equities; adequacy of capital; willingness to promote the BeX as a marketplace; issuer preference; operational capacity; support personnel; and history of adherence to Exchange rules and securities laws.

(e) Voluntary Termination of Security Registration. A Market Maker may voluntarily terminate its assignment in a security by providing the Exchange with a one-day written notice of such termination. A Market Maker that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action pursuant to Chapter XXX.

(f) The Exchange may suspend or terminate any assignment of a Market Maker in a security or securities under this Section whenever, in the Exchange's judgment, the interests of a fair and orderly market are best served by such action.

(g) A Member may seek review of any action taken by the Exchange pursuant to this Rule, including the denial of the application for, or the termination or suspension of, a Market Maker's assignment in a security or securities, in accordance with Chapter XXX.

Section 10. Obligations of Market Makers

(a) General. Members who are assigned as Market Makers in one or more securities traded on the BeX must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the BeX in accordance with this Section. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

1. Maintain continuous, two-sided quotes in those securities in which the Market Maker is assigned to trade;
(2) Maintain adequate minimum capital in accordance with Rule 15(c)3-1 promulgated under the Securities Exchange Act of 1934;
(3) Remain in good standing with the Exchange;
(4) Inform the Exchange of any material change in financial or operational condition or in personnel; and
(5) Clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services, or by entry into a correspondent clearing arrangement with another Member that clears trades through such agency.

(b) A Market Maker must satisfy the responsibilities and duties as set forth in paragraph (a) of this Section during the Primary Trading Session on all days in which the Exchange is open for business.

(c) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action or suspension or revocation of the assignment by the Exchange in one or more of the securities in which the Market Maker is assigned. Nothing in this Section will limit any other power of the Board of Directors under the Bylaws, Rules, or procedures of the Exchange with respect to the Market Maker’s Membership status or in respect of any violation by a Market Maker of the provisions of this Rule. In accordance with Chapter XXX, a Member may seek review of actions taken by the Exchange pursuant to this Section.

(d) Temporary Withdrawal. A Market Maker may apply to the Exchange to withdraw temporarily from its Market Maker status in the securities in which it is assigned. The Market Maker must base its request on demonstrated legal or regulatory requirements that necessitate its temporary withdrawal, or provide the Exchange an opinion of counsel certifying that such legal or regulatory basis exists. The Exchange will act promptly on such request and, if the request is granted, the Exchange may temporarily reassign the securities to another Market Maker.

(e) Market Makers will be required to maintain minimum performance standards the levels of which may be determined from time to time by the Exchange. Such levels will vary depending on the price, liquidity, and volatility of the security in which the Market Maker is assigned. The performance measurements will include (i) percent of time at the National Best Bid or National Best Offer; (ii) percent of executions better than the National Best Bid or National Best Offer; (iii) average displayed size; (iv) average quoted spread; and (v) in the event the security is a derivative security, the ability of the Market Maker to transact in underlying markets.

Section 11. Limitations on Dealings

(a) General. A Market Maker on the Exchange may engage in Other Business Activities, or it may be affiliated with a broker-dealer that engages in Other Business Activities, only if there is an Information Barrier (also commonly referred to as "Chinese Wall") between the market making activities and the Other Business Activities. "Other Business Activities" mean:

1. conducting an investment banking or public securities business; or
2. making markets in the options overlying the security in which it makes markets.

(b) Information Barrier. For the purposes of this rule, an Information Barrier is an organizational structure in which:

1. The market making functions are conducted in a physical location separate from the locations in which the Other Business Activities are conducted, in a manner that
effectively impedes the free flow of communications between persons engaged in
the market making functions and persons conducting the Other Business Activities.
However, upon request and not on his/her own initiative, a person engaged in the
market making functions may furnish to persons at the same firm or an affiliated firm
("affiliated persons"), the same sort of market information that the person engaged
in the market making function would make available in the normal course of its
market making activity to any other person. The person engaged in the market
making function must provide such information to affiliated persons in the same
manner that he/she would make such information available to a non-affiliated
person.

(2) There are procedures implemented to prevent the use of material non-public
corporate or market information in the possession of persons on one side of the
barrier from influencing the conduct of persons on the other side of the barrier.
These procedures, at a minimum, must provide that:
(A) the person performing the function of a Market Maker does not take advantage
of knowledge of pending transactions, order flow information, corporate
information or recommendations arising from the Other Business Activities; and
(B) all information pertaining to the Market Maker's positions and trading activities is
kept confidential and not made available to persons on the other side of the
Information Barrier.

(3) Persons on one side of the barrier may not exercise influence or control over
persons on the other side of the barrier, provided that:
(A) the market making function and the Other Business Activities may be under
common management as long as any general management oversight does not
conflict with or compromise the Market Maker's responsibilities under the Rules of
the Exchange.

(c) Documenting and Reporting of Information Barrier Procedures. A Member
implementing an Information Barrier pursuant to this Section shall submit to the Exchange a
written statement setting forth:
(1) The manner in which it intends to satisfy the conditions in paragraph (b) of this
Section, and the compliance and audit procedures it proposes to implement to
ensure that the Information Barrier is maintained;
(2) The names and titles of the person or persons responsible for maintenance and
surveillance of the procedures;
(3) A commitment to provide the Exchange with such information and reports as the
Exchange may request relating to its transactions;
(4) A commitment to take appropriate remedial action against any person violating this
Section or the Member's internal compliance and audit procedures adopted pursuant
to subparagraph (c)(1) of this Section, and that it recognizes that the Exchange may
take appropriate remedial action, including (without limitation) reallocation of
securities in which it serves as a Market Maker, in the event of such a violation;
(5) Whether the Member or an affiliate intends to clear its proprietary trades and, if so,
the procedures established to ensure that information with respect to such clearing
activities will not be used to compromise the Member's Information Barrier, which
procedures, at a minimum, must be the same as those used by the Member or the
affiliate to clear for unaffiliated third parties; and
(6) That it recognizes that any trading by a person while in possession of material,
non-public information received as a result of the breach of the internal controls
required under this Rule may be a violation of Rules 10b-5 and 14e-3 under the
Exchange Act or one or more other provisions of the Exchange Act, the rules
thereunder or the Rules of the Exchange, and that the Exchange intends to review
carefully any such trading of which it becomes aware to determine whether a violation has occurred.

(d) Approval of Information Barrier Procedures. The written statement required by paragraph (c) of this Section must detail the internal controls that the Member will implement to satisfy each of the conditions stated in that Section, and the compliance and audit procedures proposed to implement and ensure that the controls are maintained. If the Exchange determines that the organizational structure and the compliance and audit procedures proposed by the Member are acceptable under this Section, the Exchange shall so inform the Member, in writing. Absent the Exchange finding a Member's Information Barrier procedures acceptable, a Market Maker may not conduct Other Business Activities.

(e) Clearing Arrangements. Subparagraph (c)(5) permits a Member or an affiliate of the Member to clear the Member's Market Maker transactions if it establishes procedures to ensure that information with respect to such clearing activities will not be used to compromise the Information Barrier. In this regard:

1. The procedures must provide that any information pertaining to Market Maker securities positions and trading activities, and information derived from any clearing and margin financing arrangements, may be made available only to those employees (other than employees actually performing clearing and margin functions) specifically authorized under this Rule to have access to such information or to other employees in senior management positions who are involved in exercising general managerial oversight with respect to the market making activity.
2. Any margin financing arrangements must be sufficiently flexible so as not to limit the ability of any Market Maker to meet market making or other obligations under the Exchange's Rules.

Section 12. Access

(a) General. BeX shall be available for entry and execution of orders by Members, Member Organizations and Sponsored Participants with authorized access. To obtain authorized access to BeX, each Sponsored Participant must enter into a BeX Participant Agreement.

(b) Sponsored Participants. A Sponsored Participant may obtain authorized access to BeX only if such access is authorized in advance by one or more Sponsoring Member Organizations as follows:

1. Sponsored Participants must enter into and maintain customer agreements with one or more Sponsoring Member Organizations establishing proper relationship(s) and account(s) through which the Sponsored Participant may trade on BeX. Such customer agreement(s) must incorporate the Sponsorship Provisions set forth in paragraph (2) below.

2. For a Sponsored Participant to obtain and maintain authorized access to BeX, a Sponsored Participant and its Sponsoring Member Organization must agree in writing to the following Sponsorship Provisions:

(A) Sponsored Participant and its Sponsoring Member Organization must have entered into and maintain a BeX Participant Agreement with BSX Group, LLC and the BSE. The Sponsoring Member Organization must designate the Sponsored Participant by name in its BeX Participant Agreement as such.
(B) Sponsoring Member Organization acknowledges and agrees that:

(i) All orders entered by the Sponsored Participants and any person acting on behalf of or in the name of such Sponsored Participant and any executions occurring as a result of such orders are binding in all respects on the Sponsoring Member Organization; and

(ii) Sponsoring Member Organization is responsible for any and all actions taken by such Sponsored Participant and any person acting on behalf of or in the name of such Sponsored Participant.

(C) Sponsoring Member Organization shall comply with the Exchange’s Certificate of Incorporation, Bylaws, Rules and procedures with regard to BeX and Sponsored Participant shall comply with the Exchange’s Certificate of Incorporation, Bylaws, Rules and procedures with regard to BeX as if Sponsored Participant were a Member of the Exchange.

(D) Sponsored Participant shall maintain, keep current and provide to the Sponsoring Member Organization a list of Authorized Traders who may obtain access to BeX on behalf of the Sponsored Participant.

(E) Sponsored Participant shall familiarize its Authorized Traders with all of the Sponsored Participant’s obligations under this Rule and will assure that they receive appropriate training prior to any use or access to BeX.

(F) Sponsored Participant may not permit anyone other than Authorized Traders to use or obtain access to BeX.

(G) Sponsored Participant shall take reasonable security precautions to prevent unauthorized use or access to BeX, including unauthorized entry of information into BeX, or the information and data made available therein. Sponsored Participant understands and agrees that Sponsored Participant is responsible for any and all orders, trades and other messages and instructions entered, transmitted or received under identifiers, passwords and security codes of Authorized Traders, and for the trading and other consequences thereof.

(H) Sponsored Participant acknowledges its responsibility to establish adequate procedures and controls that permit it to effectively monitor its employees, agents and customers’ use and access to BeX for compliance with the terms of this agreement.

(I) Sponsored Participant shall pay when due all amounts, if any, payable to Sponsoring Member Organization, BSX Group LLC, BeX, the BSE or any other third parties that arise from the Sponsored Participants access to and use of BeX. Such amounts include, but are not limited to applicable exchange and regulatory fees.

(3) The Sponsoring Member Organization must provide the Exchange with a Notice of Consent acknowledging its responsibility for the orders, executions and actions of its Sponsored Participant at issue.
Section 1. Definitions

(a) “Automated Quotation” means a quotation displayed by a trading center that:

(i) Permits an incoming order to be marked as immediate-or-cancel;

(ii) Immediately and automatically executes an order marked as immediate-or-cancel against the displayed quotation up to its full size;

(iii) Immediately and automatically cancels any unexecuted portion of an order marked as immediate-or-cancel without routing the order elsewhere;

(iv) Immediately and automatically transmits a response to the sender of an order marked as immediate-or-cancel indicating the action taken with respect to such order; and

(v) Immediately and automatically displays information that updates the displayed quotation to reflect any change to its material terms.

(b) “Manual Quotation” means any quotation other than an automated quotation.

(c) "Protected Bid" or “Protected Offer” means a quotation in an NMS stock that:

(i) Is displayed by an automated trading center;

(ii) Is disseminated pursuant to an effective national market system plan; and

(iii) Is an automated quotation that is the best bid or best offer of a national securities exchange, the best bid or best offer of The Nasdaq Stock Market Inc., or the best bid or best offer of a national securities association other than the best bid or best offer of The Nasdaq Stock Market, Inc.

(d) “Protected Quotation” means a Protected Bid or a Protected Offer.

(e) “Regular Way” means bids, offers, and transactions that embody the standard terms and conditions of a market.

(f) “Trading Center” means a national securities exchange or national securities association that operates an SRO trading facility, an alternative trading system, an exchange market maker, an OTC market maker, or any other broker or dealer that executes orders internally by trading as principal or crossing orders as agent.

Adopted.

September 29, 2006.

Section 2. Locking or Crossing Quotations in NMS Stocks.

(a) Definitions. For purposes of this Rule, the following definitions shall apply:
(i) The terms automated quotation, effective national market system plan, intermarket sweep order, manual quotation, NMS stock, protected quotation, regular trading hours, and trading center shall have the meanings set forth in SEC Rule 600(b) of Regulation NMS under the Securities Exchange Act of 1934.

(ii) The term crossing quotation shall mean the display of a bid for an NMS stock during regular trading hours at a price that is higher than the price of an offer for such NMS stock previously disseminated pursuant to an effective national market system plan, or the display of an offer for an NMS stock during regular trading hours at a price that is lower than the price of a bid for such NMS stock previously disseminated pursuant to an effective national market system plan.

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

(b) Prohibition. Except for quotations that fall within the provisions of paragraph (d) of this Rule, members of the Exchange shall reasonably avoid displaying, and shall not engage in a pattern or practice of displaying, any quotations that lock or cross a protected quotation, and any manual quotations that lock or cross a quotation previously disseminated pursuant to an effective national market system plan. The BSE will ensure compliance with the terms of the ITS Plan (so long as it is in effect and is applicable to the BSE) and, as of the Regulation NMS Trading Phase Date with the applicable provisions of Regulation NMS with respect to Locking or Crossing Quotations.

(c) Manual quotations. If a member of the Exchange displays a manual quotation that locks or crosses a quotation previously disseminated pursuant to an effective national market system plan, such member of the Exchange shall promptly either withdraw the manual quotation or route an intermarket sweep order to execute against the full displayed size of the locked or crossed quotation.

(d) Exceptions.

(i) The locking or crossing quotation was displayed at a time when the trading center displaying the locked or crossed quotation was experiencing a failure, material delay, or malfunction of its systems or equipment.

(ii) The locking or crossing quotation was displayed at a time when a protected bid was higher than a protected offer in the NMS stock.

(iii) The locking or crossing quotation was an automated quotation, and the member of the Exchange displaying such automated quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of any locked or crossed protected quotation.

(iv) The locking or crossing quotation was a manual quotation that locked or crossed another manual quotation, and the member of the Exchange displaying the locking or crossing manual quotation simultaneously routed an intermarket sweep order to execute against the full displayed size of the locked or crossed manual quotation.

Adopted.

September 29, 2006.
Section 3. Order Routing

(a) Eligible Orders are any orders that are designated by the customer to execute or route. IOC, AIOC, all ISO order types and FOK orders shall not be designated to execute or route.

(b) If any Eligible Order requiring routing to another Trading Center has not been executed in its entirety on BeX due to the requirements of Section 4, paragraph (a) and the terms of the order require that it be routed to another Trading Center for execution it shall be routed as follows:

(i) Orders shall be routed either in their entirety or as component orders to an away Trading Center(s). Orders will be routed consistent with Rule 611 of Regulation NMS to the Trading Center(s) publishing the better priced Protected Bid(s) or Protected Offer(s) for execution against such Protected Bid(s) or Protected Offer(s) for the full displayed size of the Protected Quotation. The remaining portion of the order, if any, will be executed, or ranked and displayed on the BSE book in accordance with the terms of such order and will be handled in the manner described in Chapter XXXVII, Section 3 of the BSE Rules.

(ii) If the BSE system cannot execute or book an Eligible Order it will route the Eligible Order to another Trading Center on behalf of the Member who submitted the Eligible Order if that Member is a member or subscriber of the away Trading Center, or in the case where the Member is not a member or subscriber of the away Trading Center the order will be routed on behalf of that Member through a third-party broker dealer, or “give up,” that is a member or subscriber of the away Trading Center and, if not executed in its entirety at the away Trading Center, would be handled in the manner described in subsection (b)(i), above.

Commentary:

As described above, the Exchange will route orders to other Trading Centers under certain circumstances (“Routing Services”). The Exchange will provide its Routing Services pursuant to the terms of three separate agreements: (1) an agreement between the Exchange and each Member on whose behalf orders will be routed (“Member-Exchange Agreement”); (2) an agreement between the Exchange and each third-party broker-dealer that will serve as a “give-up” on an away Trading Center when the Member on whose behalf an order is routed is not also a member or subscriber of the away Trading Center (“Give-Up Agreement”); and (3) an agreement between the Exchange and a third-party service provider (“Technology Provider”) pursuant to which the Exchange licenses the routing technology used by the Exchange for its Routing Services (“Exchange-Technology Provider Agreement”).

.01 (a) The Exchange will provide its Routing Services in compliance with these rules and with the provisions of the Act and the rules thereunder, including, but not limited to, the requirements in Section 6(b)(4) and (5) of the Act that the rules of a national securities exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities, and
not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

(b) As provider of the Routing Services, the Exchange will license the necessary routing technology for use within its own systems and accordingly will control the logic that determines when, how, and where orders are routed away to other Trading Centers.

(c) The Exchange will establish and maintain procedures and internal controls reasonably designed to adequately restrict the flow of confidential and proprietary information between the Exchange (including its facilities) and the Technology Provider, and, to the extent the Technology Provider reasonably receives confidential and proprietary information, that adequately restrict the use of such information by the Technology Provider to legitimate business purposes necessary for the licensing of routing technology.

(d) The Exchange-Technology Provider Agreement will include terms and conditions that enable the Exchange to comply with this Commentary .01.

* * *

(iii) The order that is routed away shall remain outside the BSE for a prescribed period of time and may be executed in whole or in part subject to the applicable trading rules of the relevant Trading Center. While an order remains outside the Exchange, it shall have no time standing, relative to other orders received from BSE Members at the same price which may be executed against orders in the BSE book. Requests from Members to cancel their orders while the order is routed away to another Trading Center and remains outside the Exchange shall be processed, subject to the applicable trading rules of the relevant Trading Center.

(iv) Where an order is not fully executed at an away Trading Center(s), the order shall be executed, or ranked and displayed on the BSE book in accordance with the terms of such order and handled in the manner described in Chapter XXXVII, Section 3 of the BSE Rules.

Adopted.

September 29, 2006.

Section 4. Order Protection Requirements

(a) An order is not eligible for execution on the BSE if its execution is at a price that is lower than a Protected Bid or higher than a Protected Offer ("Trade-Through"), or if its execution would be improper under SEC Rule 611 of Regulation NMS (together, an "improper trade-through"). If the execution of an order on the Exchange would cause an improper trade-through, that order shall, at the instruction of the Member entering the order, be routed to the appropriate Trading Center(s) or, if not designated by the Member to route, automatically cancelled.

(b) Exceptions. If the purchase or sale of an NMS stock qualifies for an exception to Rule 611 of Regulation NMS, the BSE will attach an appropriate modifier, approved by the operating committee of the relevant national market system plan for an NMS stock, to the trade before it is publicly reported, in the following circumstances that are exceptions under Rule 611 of Regulation NMS. If a trade is executed pursuant to both the intermarket sweep order exception of Rule
611(b)(5) or (6) and the self-help exception of Rule 611(b)(1) such trade shall be identified as executed pursuant to the intermarket sweep order exception.

(i) **Crossed markets.** If a trade is executed on the BSE at a time when a Protected Bid was priced higher than a Protected Offer;

(ii) **Self-help.** If the Trading Center displaying the Protected Quotation that was traded through was experiencing a failure, material delay or malfunction of its systems or equipment.

(iii) **Other exceptions.**

(1) a non-regular way cross,
(2) a single-price opening, reopening or closing trade;
(3) an inbound ISO; or
(4) a benchmark order is executed at the BSE.

(c) In any transaction for or with a customer, a Member and persons associated with a Member shall use reasonable diligence to ascertain the best market for the subject security and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. In all customer transactions, a Member and persons associated with a Member shall comply with all applicable best execution requirements.

(d) **Trade-through policies and procedures.** In determining whether a trade on the BSE would create an improper trade-through, the BSE will adhere to the terms of the ITS Plan (so long as it is in effect and is applicable to the BSE) and, as of the Regulation NMS Trading Phase Date, the applicable provisions of Regulation NMS, as well as to the following policies and procedures to the extent the policies and procedures are consistent with the terms of the ITS Plan or Regulation NMS, as applicable:

(i) **Clock synchronization and timing of the determination of improper trade-throughs.** The BSE’s systems shall routinely, throughout the trading day, use processes that capture the time reflected on the atomic clock operated by the National Institute of Standards and Technology and shall automatically make adjustments to the time recorded in the BSE to ensure that the period between the two times will not exceed 500 milliseconds. The BSE shall determine whether a trade would create an improper trade-through based on the most recent Protected Bid(s) and Protected Offer(s) that have been received and processed by the BSE’s systems.

(ii) **Manual quotations of other markets.** The BSE shall disregard another Trading Center’s bid or offer if it is identified by the other Trading Center as a manual quotation.

(e) The BSE is designed, under the rules set out in this Chapter, to display bids and offers that qualify as automated quotations under the definition set out in SEC Rule 600(b)(3). The BSE shall use the following procedures for determining whether the quotes should be identified as “manual”:

(i) **Periodic testing.** The Market Operations Center (“MOC”) will have a real time monitoring tool, which will check the elapsed time between receipt of every AIOC order (any order type) and the corresponding response to each AIOC order by the trading system. A predetermined threshold will be set to generate an alert for any instances where the elapsed time between order receipt and response exceeds the preset limit.
(ii) **Adding the “manual” identifier.** Immediately upon receiving an alert from the processes described above in subparagraph (e)(i) that the Exchange’s trading system has not accepted and properly handled two or more AIOC orders in a symbol sent as sequential messages the MOC shall append a “manual” identifier to the bids and offers it makes publicly available in that symbol.

(iii) **Returning to automated quotations.** Once the Exchange has made any required systems changes, or has otherwise determined that its quotations satisfy the requirements of SEC Rule 600(b)(3), and has conducted the applicable test(s) set out above to confirm that the Exchange’s quotes qualify as “automated quotations,” the Exchange shall remove the “manual” identifier from the bids and offers that are made publicly available. The Exchange also shall notify other Trading Centers that its quotations are automated by announcing that fact over the squawk box or other similar functionality available for communications with other Trading Centers.

**Adopted.**

September 29, 2006.

**Amended.**

BSE Clearing Corp Rules

Rule I Membership

Sec. 1. QUALIFICATIONS FOR MEMBERSHIP

(a) The Corporation shall act for those organizations, entities or persons accepted by the Corporation as Members under these Rules. A person, partnership, corporation or other organization or entity shall be qualified to become a Member if it is not subject to any statutory disqualification and it satisfies at least one of the following qualifications:

(i) it is a broker or dealer registered under the Securities Exchange Act of 1934;

(ii) it is a bank or trust company, including a trust company having limited power, which is a member of the Federal Reserve System or is supervised and examined by state or federal authorities having supervision over banks;

(iii) it is a Registered Clearing Agency;

(iv) it is an insurance company subject to supervision or regulation pursuant to the provisions of state insurance laws;

(v) it is an investment company registered under the Investment Company Act of 1940, as amended; or

(vi) it is one which demonstrates to the Corporation that its business and capabilities are such that it could reasonably expect material benefits from direct access to the Corporation's services.

Sec. 2. APPROVAL OF APPLICANTS
The Corporation shall approve on a nondiscriminatory basis the application to become a Member of any applicant meeting the qualifications of Section 1 upon a determination by the Corporation that the applicant meets the following additional standards for qualification:

(a) The applicant has sufficient financial ability to pay its anticipated contribution to the Clearing Fund and to meet its obligations to the Corporation on the basis of the value of the positions which the applicant proposes to maintain with, and the transactions which the applicant proposes to process through, the Corporation.

(b) The applicant has affirmatively shown that it has, and has undertaken to continue to maintain, adequate personnel, physical facilities, books and records, and procedures to fulfill its anticipated commitments to the Corporation and to other Members.

(c) The applicant has demonstrated the ability to settle transactions via DTC including its institutional delivery System and, in the case of Broker/Dealers to clear transactions via NSCC.

(i) Broker/Dealers joining the Corporation who are also members of NSCC or who are clearing transactions through an NSCC Member, must sign a Regional Interface Operation ("RIO") Agreement with both NSCC and the Corporation.

(ii) Broker/Dealers joining the Corporation as Member-Specialists not financed by the Corporation must fulfill the requirements of Section 2(c) (i) for RIO Membership.

(iii) Broker/Dealers joining the Corporation as Member Specialists financed by the Corporation must:

(A) Agree to abide by all policies and procedures set forth and from time to time, amended by the Corporation that enables the Corporation to meet all necessary NSCC and DTC requirements.

(B) Sign a Member Specialist's "Consent to Loan of Securities."
(d) The Corporation has received no substantial information which would reasonably and adversely reflect on the applicant, any affiliate of the applicant (as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934), or any person associated with the applicant in a responsible capacity, to such an extent that the applicant should be denied access to the Corporation; provided, however, that no application shall be denied pursuant to this subsection (d) unless the Corporation shall have reasonable grounds to believe that the applicant or any such affiliate or associate:

(i) has been responsible for fraud, fraudulent acts, breach of fiduciary duty, or the willful violation of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investment Advisers Act of 1940, or any rule or regulation adopted pursuant to any of said Acts;

(ii) has been convicted within ten years preceding the filing of the application or at any time thereafter of (A) any criminal offense involving the purchase, sale or delivery of any security, or the taking of a false oath, or the making of a fraudulent statement, or the making of a false report, or bribery, or perjury, or burglary, or conspiracy to commit any offense referred to in this clause (ii), (B) the larceny, theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property, (C) any violation of Section 152, 1341, 1342 or 1343 or Chapter 25 or 47 of Title 18, United States Code, or (D) any other offense involving breach of fiduciary obligation, or arising out of the conduct of business as a broker, dealer, investment adviser, bank, trust company, fiduciary, insurance company or other financial institution;

(iii) has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction from acting as, or as a person associated with, a broker, dealer, investment adviser or underwriter, or as an affiliated person or employee of any investment company, bank, trust company, fiduciary, insurance company or other financial institution or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase, sale or delivery of any security;

(iv) has been suspended or expelled from a national securities exchange, a national or affiliated securities association, a clearing agency or a securities depository registered under the Securities Exchange Act of 1934, or has been barred or suspended from being associated with members of such an exchange, association, Clearing Agency or securities depository; or

(v) has made a misstatement of a material fact or has omitted to state a material fact to the Corporation in connection with its application or thereafter.

The Corporation may waive any standard as to any applicant, either unconditionally or on an
appropriate temporary or other conditional basis, if the Corporation determines that said standard, as applied to such applicant, is unduly or disproportionately severe or that the conduct of said applicant has been such that it would not be against the best interest of the Corporation, its Members and the public to waive said standard.

(e) Notwithstanding the foregoing, the Corporation may decline to accept the application of any applicant upon a determination by the Corporation that the Corporation does not have adequate personnel, space, data processing capacity or other operational capabilities at that time to furnish service to additional Members without impairing its ability to provide services for its then existing Members, to effect the prompt and orderly settlement of securities transactions, to safeguard the funds and securities held for Members, or to otherwise carry out its functions; provided, however, that applicants whose applications are denied pursuant to this paragraph shall be approved as promptly as the capabilities of the Corporation permit.

(f) Any applicant aggrieved by action taken by the Corporation pursuant to the Rule shall be entitled to review in accordance with the provision of Rule XI.

Amended.

February 23, 2004

Sec. 3.

AGREEMENTS OF MEMBERS

An applicant whose application to become a Member has been approved by the Corporation shall pay to the Corporation its original contribution to the Clearing Fund and shall sign and deliver to the Corporation an instrument in writing whereby it agrees:

(a) That the applicant while a Member will abide by the Rules and Procedures of the Corporation and shall be bound by all the provisions thereof, including the provisions prescribing the liens which the Corporation shall have upon stocks and securities which are the subject of transactions had for the applicant's account, and the Corporation shall have all the liens, rights, and remedies contemplated by the By-Laws and Rules of the Corporation.

(b) That the By-Laws and Rules of the Corporation shall be a part of the terms and conditions of every contract or transaction which the applicant while a Member may make or have with the Corporation.

Sec. 4.

NON-MEMBER USE OF SERVICES
(a) Only Members shall be entitled to settle contracts through the Corporation. A Member who compares, settles or carries out through the Corporation any contract or transaction for a person who is not a Member shall, so far as the rights of the Corporation and all other Members are concerned, be liable as principal.

(b) Limited services of the Corporation shall be available to such persons, partnerships or corporations approved by it which are not members but which have entered into an agreement with the Corporation for the purpose of utilizing the Corporation's equipment and personnel for direct computer processing with DTC or NSCC.

Sec. 5.

TERMINATION OF MEMBERSHIP

The Corporation may at any time cease to make its services available to a Member in accordance with Rule IX or X and the Member shall, upon receipt of notice thereof given by the Corporation as provided in Rule IX or X, cease to be a Member; provided, however, that if the Corporation notifies a Member that it has ceased to act for it with respect to a particular transaction or transactions, the Member will, in all other respects, continue to be a Member.

(b) A Member may voluntarily terminate its membership in the Corporation in accordance with the provisions of Rule IX.

(c) In the event that a Member shall cease to be a Member, the Corporation shall thereupon cease to make its services available to the Member except that the Corporation may perform services necessary to terminate the business of the Member, and the Member shall pay to the Corporation all fees and charges with respect to services so provided by the Corporation. The Corporation shall immediately notify the Securities and Exchange Commission when it ceases to make its services available to a Member.

Sec. 6.

MEMBER BOUND BY ACTION TAKEN

Each Member shall be bound by action of the Corporation taken pursuant to these Rules.

Rule II Clearing Fund

Sec. 1.

MAINTENANCE AND PURPOSE

The Corporation shall maintain a fund, known as the "Clearing Fund," to make good losses suffered by the Corporation incident to the operation of the clearance and settlement business of
the Corporation. Each Member shall contribute to the Clearing Fund as provided in this Rule, except that Specialists shall be deemed to meet this requirement up to the amount specified by Section 2 of this Rule pursuant to their Minimum Equity Requirement under Chapter XXII, Section 2(f) of the Exchange Rules, and such portion of the Minimum Equity Requirement shall be deemed Clearing Fund for purposes of this Rule.

Amended.

October 7, 1996.


Sec. 2.

AMOUNT OF DEPOSIT

Each Member shall be required to make a deposit to the Clearing Fund in an amount fixed by the Corporation. The minimum contribution for each Member shall be $6,000, ("Minimum Contribution") unless changed by the Board of Directors. The Board of Directors in its discretion may establish a formula and, from time to time, change the formula pursuant to which the contributions of Members are fixed; provided that any such formula for determining contributions in excess of the Minimum Contribution shall be based upon a Member's usage of the Corporation's services, and that notice of any such change shall be given to each Member at least 10 business days in advance of the effective date thereof.

Sec. 3.

FORM OF DEPOSIT

(a) The Member's Minimum Contribution to the Clearing Fund shall be in manner and form of funds acceptable to the Corporation.

(b) The Corporation may permit all or part of Member's contribution to the Clearing Fund that is in excess of the Minimum Contribution to be evidenced by an open account indebtedness secured by unmatured debt obligations of the United States or instrumentalities of the United States, or unmatured bonds which are general obligations of, or obligations guaranteed as to principal and interest by a State or political subdivision thereof which are in the first or second ratings of any nationally known statistical service ("Qualifying Bonds"). Qualifying Bonds shall be valued at the lesser of the par value or 100% of the current market value thereof. Such Qualifying Bonds shall be pledged to the Corporation on such terms and conditions as it shall require. The Board of Directors may, ten (10) business days after giving written notice thereof to all Members, increase or decrease the amount of the Members' contributions required to be maintained in cash; provided that such requirement shall apply to all Members. In the discretion of the Corporation Qualifying Bonds shall be pledged to the Corporation's account at a Registered Clearing Agency as defined in Section 3(a)(23) of the Securities Exchange Act of 1934 or shall be held by the Corporation or for its account by a bank or trust company (other than the Member) designated by the Member and acceptable to the Corporation.

Sec. 4.
INVESTMENT OF CONTRIBUTIONS

(a) In the discretion of its Board of Directors any cash contained in the Clearing Fund may be partially or wholly invested by the Corporation for its account in securities issued or guaranteed by the United States or its agencies or invested in certificates of deposit or similar deposits of FDIC insured banks; provided however that the Corporation shall invest no more in any one approved bank than an amount which will insure maximum FDIC insurance protection, and to the extent not so invested shall be deposited by the Corporation in its name in such FDIC insured banks as may be selected by the Corporation.

(b) Any interest paid by a depository on the Minimum Contributions of Members or earned on securities in which such Minimum Contributions may be invested by the Corporation shall belong to the Corporation. Each Member shall be entitled to any interest paid on Qualifying Bonds and to any interest earned by the Corporation on cash contributions in excess of the Minimum Contribution.

Sec. 5.

USE AND APPLICATION OF CLEARING FUND

(a) Subject to the limitations contained in this Rule and the use of a Member's contribution to satisfy its obligations to the Corporation as provided herein, the use of the Clearing Fund shall be limited to satisfaction of losses or liabilities of the Corporation incident to the operation of the clearance and settlement business of the Corporation.

(b) The Clearing Fund may be used by the Corporation as security for loans made to the Corporation; provided that the proceeds of such loans are used for a purpose permissible under this Section. If such loans are made as a result of a loss or liability suffered by the Corporation, the Corporation will promptly, but in no event exceeding 30 days from the day the loan is made, repay the loan in full.

(c) No cash in the Clearing Fund and no proceeds of any loans made to the Corporation upon the pledge by the Corporation of Qualifying Bonds pledged by a Member to secure the Member's open account indebtedness, and no money payments received from Members and payable to others ("Cash Receipts") shall be used by the Corporation for any purpose other than

(i) the investment of any Clearing Fund Cash or Cash Receipts in securities issued or guaranteed as to principal and interest by the United States or its agencies, or invested in certificates of deposit or similar deposits of FDIC insured banks selected by the Corporation,
or deposited by the Corporation in its name in a FDIC insured bank selected by the Corporation;

(ii) the payment of Cash Receipts to the persons entitled thereto for the purposes for which such Cash Receipts were received by the Corporation, including the allocation of fees, fines and other charges receivable by the Corporation to the Corporation's general account;

(iii) the application of Clearing Fund cash to satisfy any loss or liability of the Corporation to the extent permissible pursuant to this Rule or the return of the deposit of a Member pursuant to this Rule; or

(iv) the loan of Clearing Fund cash to the Corporation to permit the Corporation to meet its settlement obligations.

(d) If any Member shall fail to discharge any liability to the Corporation or the Exchange (if the Member is also a member of the Exchange), its contribution to the Clearing Fund, or so much thereof as is necessary, shall forthwith be applied toward the discharge of such liability; provided however that the rights, if any, of the Exchange shall be subordinated and junior to the rights of the Corporation or its Members and no application of a Member's Clearing Fund deposit shall be made to satisfy a Member's obligation to the Exchange until such time as all obligations to the Corporation or other Members arising hereunder have been satisfied. Such Member shall, upon demand, make good the deficiency in the amount of its contribution resulting from such application. Failure by a Member to do so shall constitute grounds for termination of such Member or other appropriate disciplinary action pursuant to these Rules.

(e) If the Corporation suffers loss or liability by reason of a Member's default, any loss or liability charged to the Clearing Fund shall be charged pro rata against the contributions of the nondefaulting Members, as such contributions were fixed at the time the loss or liability is discovered. Notice shall be provided to the Members and the Securities and Exchange Commission of a charge against the Clearing Fund and shall state the amount of the charge and the reason therefore.

Amended.


Sec. 6.

PRO RATA CHARGES TO CLEARING FUND
(a) If a pro rata charge is made against a Member's contribution to the Clearing Fund, such Member shall immediately, upon demand, make good the deficiency in the amount of its contribution resulting from such pro rata charge. Failure by a Member to make good the deficiency on demand shall constitute grounds for termination or other appropriate disciplinary action pursuant to these Rules.

(b) Notwithstanding the foregoing, if, prior to or within ten (10) days after issuance of notice to it of a pro rata charge hereunder, a Member shall give written notice to the Corporation of its election that the Corporation shall definitively cease to act for it, such Member's aggregate liability to the Corporation in respect of such a pro rata charge, and all other pro rata charges made thereafter by reason of transactions occurring before it ceases to be a Member, shall not exceed an amount equal to double the amount of its total contribution to the Clearing Fund as fixed immediately prior to such pro rata charge. The amount of the Members' deposit in the Clearing Fund shall be credited against such aggregate liability.

Sec. 7.

RECOVERY OF LOSS CHARGED PRO RATA

If a loss charged pro rata against the contributions of Members is afterwards recovered by the Corporation, in whole or in part, the net amount of such recovery shall be paid pro rata to the non-defaulting Members against whose contributions the loss was originally charged, whether or not they are still Members.

Sec. 8.

NOTICE OF CHANGE IN CONTRIBUTIONS

(a) Any increase in a Member's contribution to the Clearing Fund shall not become effective until such Member is given not less than ten (10) days written notice thereof. If, prior to the time and date established in such notice for the effectiveness of such increase, the Member has given the Corporation written notice of its election that the Corporation shall definitively cease to act for it, it shall not be liable for such increased contribution.

(b) At least once each calendar quarter the Corporation shall determine whether the amount contributed by each Member to the Clearing Fund is equal to the required contribution. If the Corporation determines that any such excess exists, it shall promptly so notify the Member, specifying the amount thereof. At the Member's written request, the Corporation shall cause to be returned to the Member such excess deposit as soon as all open transactions from which losses and payments chargeable to the Clearing Fund might result have been closed and after the amounts, if any, to be charged against the Member's contribution have been satisfied. In the event that the Corporation determines that there exists a deficiency in the amount of the Member's required contribution it shall cause said Member to make such additional deposits as necessary to cure such deficiency.
Sec. 9.

CESSATION OF MEMBERSHIP

(a) Whenever a Member ceases to be such, for whatever reason, the amount of its contribution to the Clearing Fund shall be returned, but not until all transactions open at the time it ceases to be a Member, from which losses or payments chargeable to the Clearing Fund might result, have been closed and all amounts chargeable against its contribution have been satisfied.

(b) A former Member shall continue to be obligated for contributions for deficiencies or charges arising out of transactions occurring prior to its termination of membership. However, such former Members aggregate liability to the Corporation for charges against the Clearing Fund shall not exceed an amount equal to double the amount of its total obligation for contribution to the Clearing Fund as of the time of termination of Membership.

Rule III Services

Sec. 1.

RECORDS AND REPORTS

(a) All records provided the Members by the Corporation, NSCC and/or DTC will be forwarded to the Member in a manner specified in the Procedures of the Corporation.

(b) It is the responsibility of the Member to verify the accuracy of all reports received and immediately notify the Corporation of any discrepancies, irregularities or omissions.

Sec. 2.

DUAL MEMBER BROKER/DEALER ACCOUNTS

(a) A Dual Member Broker/Dealer, in addition to being a Member of the Corporation, shall also be a direct member of National Securities Clearing Corporation (NSCC) or utilize the services of a direct member of NSCC for clearing and settling transactions.

(b) The Corporation will provide a Purchase and Sales Blotter for all trades executed on the floor of the Boston Stock Exchange by Members which are also Members of the Boston Stock Exchange and transmit these transactions to the Member’s NSCC account for clearance.
(c) The Corporation may perform additional NSCC and/or DTC functions on behalf of the Member upon request.

Amended.


Sec. 3.

SPECIALIST MEMBER

(a) A Specialist Member is a Member of the Corporation who acts as a Specialist on the floor of the Exchange.

(b) The Corporation will provide Purchase and Sales Blotters for all trades executed on the floor of the Boston Stock Exchange and transmit these transactions to the Corporation's NSCC Specialist Omnibus account for clearance.

(c) The Corporation will perform necessary functions for the usual clearance and settlement of transactions and provide daily records of such transaction.

(d) The Corporation may perform additional functions on behalf of the Member upon request.

(e) The Corporation will normally settle all Member's trades executed on the floor of the Boston Stock Exchange with NSCC. If such settlement requires that the Corporation pay more money than is held by it for the Member, the Corporation may, in its discretion, loan money to the Member and bill that Member at an appropriate rate of interest in the monthly billing in accordance with the provisions of Rule IV Section 4.

(f) The Corporation will provide safekeeping and settlement service for those securities held by the Member that are not eligible for DTC's book entry system and provide timely records of the performance of such services.

Amended.

Sec. 4.  INSTITUTIONAL MEMBER

(a) An Institutional Member is a bank, trust company, insurance company or investment company, as defined in Rule I, which is a Member of the Corporation whose membership in DTC, for the purpose of settling transactions, is sponsored by the Corporation.

(b) The Corporation will perform necessary functions for the usual settlement of transactions with NSCC and/or DTC on behalf of the Member.

(c) Daily settlement of the Member's net DTC obligation shall be paid by or to the Member in manner and form of funds acceptable to the Corporation.

(d) The Corporation may perform additional NSCC and/or DTC functions on behalf of the Member upon request.

(e) The Corporation will provide safekeeping and settlement service for those securities held by the Member that are not eligible for DTC's bookentry system and provide timely records of the performance of such services.

Amended.

[Section 6 Deleted]
[Section 6 deleted effective July 1, 1993.]

Rule IV Conduct of Business

Sec. 1.  MEMBER REPRESENTATIVES

(a) Every Member shall have at least one representative, accessible to the Corporation, each business day between the hours of 9:30 A.M. and 4:30 P.M. Boston time, authorized in the name and on behalf of the Member, to sign all instruments, correct errors and perform such duties as may be required under these Rules and to transact all business in connection with the Member's business with the Corporation. If the Representative of a Member which is a partnership or a sole proprietorship is not a principal of said Member, such representative shall be authorized to act only by written power of attorney. In the case of a Member which is a
corporation such representative shall be authorized to act by resolution of the Board of Directors of such corporation. Such power of attorney or resolution shall be in form approved by the Corporation.

(b) Every Member shall file with the Corporation the signature of each person who is authorized to act on behalf of the Member pursuant to Section 1(a) of this Rule together with the powers of attorney or resolutions bestowing such authority.

(c) A Member may appoint, with the written consent of the Corporation, another Member as its agent with respect to any or all of the appointing Member’s business carried out with the Corporation. Such appointments shall be in such form as the Corporation may require.

(e) The Corporation may accept and rely upon any instruction given to the Corporation by a Member or its Agent including wire transmission, physical delivery, or by means of instructions recorded on magnetic tape or other media or of facsimile copies of instructions, in manner and form acceptable to the Corporation, which reasonably is understood by the Corporation to have been delivered by the Member, or agent. The Corporation shall have no responsibility or liability for any errors which may occur, without negligence on the Corporation's part, in the course of transmission or recording of any transmissions, or which may exist in any magnetic tape, document or other media so delivered to the Corporation.

(f) Any Member delivering instructions as provided above shall indemnify the Corporation, and its employees, officers, directors, shareholders, agents, and Members who may sustain any loss, liability or expense as a result of (i) any act done in reliance upon the authenticity of any instruction received by the Corporation, (ii) the inaccuracy of the information contained therein or (iii) effecting transactions in reliance upon such information or instruction so long as such transactions are effected in accordance with such information and instructions as given, and so long as the person asserting a right to indemnification shall not have knowledge of such inaccuracy or lack of authenticity at the time of the event or events giving rise to such loss, liability or expense.

(g) Notwithstanding the foregoing, the Corporation shall cease acting upon any non-written instruction commencing one business day after the Corporation receives written notice from the Member bearing an original signature of the Member, its representative or Agent, directing that the Corporation shall not accept such non-written instructions. A Member shall withdraw such notice in writing, bearing an original signature of the Member, its representative or Agent.

Sec. 2.

ADMISSION TO PREMISES OF CORPORATION
(a) The Corporation shall issue credentials to representatives of Members approved by the Corporation. Such credentials must be shown on demand. Credentials may be revoked at any time by the Corporation in its discretion, and prompt notice of such revocation shall be given to the employer of the persons whose credentials have been so revoked.

(b) Every person to whom, as the representative of a Member, credentials have been or may hereafter be issued by the Corporation shall be deemed to have been authorized by such Member to receive and deliver securities or envelopes on behalf of such member.

(c) Unless revoked by the Corporation, all credentials, authorizations, and powers of attorney issued pursuant to this Rule or in connection with the work of the Corporation shall remain in full force and effect until the Corporation shall have received written notice from the Member of the revocation thereof and any credentials issued by the Corporation are delivered to the Corporation.

Sec. 3.

BILLS RENDERED

(a) The Corporation will render bills to Members for all Clearing fees, floor commission charges and fines imposed during any month on or before the seventh calendar day of the next succeeding month.

(b) Payment of bills rendered in accordance with section 4(a), above, shall be due and payable on or before the sixteenth (16th) calendar day of the month in which rendered. Balances unpaid in accordance herewith shall be charged to the delinquent Member's settlement.

Amended.

Sec. 4.

NOTICES

Any notice from the Corporation to the Member under these Rules shall be sufficiently served on such Member if the notice is in writing, is delivered to the Member's distribution box, if any, maintained with the Corporation on its premises or, if no distribution box is maintained for the Member, is mailed to the Member's office address to the attention of such person if any, as the Member shall have designated in writing. Any notice from a Member to the Corporation shall be sufficiently served on the Corporation if the notice is in writing and is delivered to the address of the Corporation. Any notice to a Member, if mailed, shall be deemed to have been given when
deposited in the United States Postal Service, with postage thereon prepaid, directed to the Member at its office address or such other address as it shall specify or, if delivered to the Member's distribution box, shall be deemed to have been given when deposited in the Member's distribution box. Any such notice to the Corporation shall be deemed to have been given when received by the Corporation at the address specified above.

Amended.

Sec. 5.

BUSINESS DAYS

The Corporation shall be open for business on every day that the Federal Reserve Bank of Boston, NSCC and/or DTC is open except as the Board of Directors may from time to time specify. The Corporation shall not be required to be open for business on any day solely because it is a business day in one or more locations where Members engage in business. Any deliveries which the Corporation is required to make, and any transactions which the Corporation is instructed to effect on days on which the Corporation is not open for business will be accepted, made or effected on the next day on which the Corporation is open for business.

Amended.

Sec. 6.

ACCESS TO BOOKS AND RECORDS OF MEMBERS

The books and records of a Member, to the extent that they relate to the Member's dealings with the Corporation, shall at all times be open to the inspection of the duly authorized representatives of the Corporation. The Corporation shall be furnished with all such information, in respect to the Member's business and transactions as it may require, provided that (A) the aforesaid rights of the Corporation shall be subject to any applicable laws or rules or regulations of regulatory bodies having jurisdiction over the Member which relate to the confidentiality of records, and (B) if the Member shall cease to be a Member, the Corporation shall have no right to inspect the Member's books and records or to require information relating to transactions wholly subsequent to the time when the Member ceases to be a Member.

Amended.

Sec. 7.

MEMBER ACCOUNTS

The Member shall maintain its accounts with the Corporation in compliance with all applicable laws, all rules and regulations thereunder, and all provisions of the Member's contracts with its customers. The maintenance of any account by the Member with the Corporation shall constitute such Member's representation to the Corporation as to such compliance.

Amended.
Rule V Charges for Services

Sec. 1.

SCHEDULE OF CHARGES

(a) The Board of Directors shall adopt, and may from time to time amend, a non-discriminatory schedule of charges for the services rendered.

(b) A Member may be charged for any unusual expenses caused directly or indirectly by such Member including but without limitation, the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding whether or not such Member is a party to such litigation or proceeding.

Sec. 2.

PAYMENT OF CHARGES

The Corporation will bill each Member and receive payment as described in Rule IV Section 4.

Rule VI Audits and Financial Reports

Sec. 1.

ANNUAL AUDIT

The annual financial statements of the Corporation shall be audited by a firm of independent public accountants selected by the Board of Directors of the Corporation. Such audit shall be conducted in accordance with generally accepted auditing standards.

Sec. 2.

REVIEW OF INTERNAL ACCOUNTING CONTROLS

A study and evaluation of the system of internal accounting controls pertaining to participants' security positions and related money balances shall be conducted annually by independent public accountants. Such study and evaluation shall be conducted in accordance with standards established by the American Institute of Certified Public Accountants.

Sec. 3.

FINANCIAL REPORTS

(a) Within 90 days after the end of each fiscal year of the Corporation, the Corporation shall provide to each Member financial statements of the Corporation audited by independent public accountants for such fiscal year.
(b) Within 30 days after the close of any fiscal quarter, the Corporation shall provide to any Member upon request, unaudited quarterly financial statements of the Corporation.

Rule VII Reserved for Future Use
Rule VIII Reserved for Future Use

Rule IX Termination and Suspension of Membership

Sec. 1. 

VOLUNTARY TERMINATION

(a) Any Member may, upon not less than 30 days prior written notice to the Corporation, terminate its membership.

(b) Membership in NSCC and/or DTC as a Boston Representative Account will cease upon termination of membership in the Corporation.

(c) After a Member ceases to be such, the amount of its Clearing fund contribution will be returned, but not until all obligations to the Corporation have been fulfilled and all transactions contracted during Membership are settled in accordance with Rule II, Section 9.

Sec. 2. 

TERMINATION FOR CAUSE

(a) Based upon its judgment that adequate cause exists to do so, the Corporation may at any time cease to act for a Member either with respect to a particular transaction or to transactions generally. Adequate cause for ceasing to act shall be deemed to exist if:

(i) The Member has failed to make full contribution to the Clearing Fund as required by these Rules for a period of 10 business days after demand;

(ii) The Member has failed to pay any fine, fee or other charge provided for in these Rules on the payment date therefor;
(iii) The Member has failed to pay any amounts owing in respect of securities delivered to it by the time required or reasonable grounds exist for a determination by the Corporation that the Member will not make such timely payment;

(iv) The Member is in such financial or operating condition that the Corporation determines that continuation as a Member would jeopardize the interests of other Members or the Corporation;

(v) The Member does not continue to meet the qualifications and requirements for membership set forth in Rule I of these Rules.

(b) Notwithstanding the foregoing, the Corporation may discipline any Member for violation of any provision of these Rules by expulsion, suspension, limitation of activities, functions and operations, fine or censure, or any other fitting sanction permitted by the Securities Exchange Act of 1934 or the Rules and Regulations adopted thereunder, including the right summarily to suspend a Member for the reasons specified in the Securities Exchange Act of 1934.

(c) The Corporation may determine that adequate cause for ceasing to act does not exist, if the Corporation determines that any standard specified in this Rule, as applied to a Member is unduly or disproportionately severe and that to continue to act for such member is not contrary to the interest of the Corporation, other Members or the public.

Sec. 3.

SUMMARY SUSPENSION

The Corporation, by its Chairman, President or any Executive Vice President, may summarily suspend and close the accounts of a member who (i) has been and is expelled or suspended from any self-regulatory organization, (ii) is in default of any delivery of funds or securities to the Corporation, or (iii) is in such financial or operating difficulty that the Corporation determines and so notifies the appropriate regulatory agency for such participant that such suspension and closing of accounts are necessary for the protection of the Corporation, its members, creditors, or investors. A member so summarily suspended shall be promptly afforded an opportunity for a hearing by the Corporation in accordance with provisions of this rule. The suspended Member may, pending such hearing, appeal such suspension to the Securities and Exchange Commission.

Sec. 4.

POST TERMINATION PROCEDURE
(a) When the Corporation ceases to act for a Member, it shall promptly file a written report of the reasons for such action with the Corporation's records, notify such Member, the SEC and such other Members as it deems proper. The notice that it has ceased to act for a Member given by the Corporation shall state in general terms how pending transactions will be affected.

(b) After the Corporation has ceased to act for a Member generally, it shall decline to accept instructions from other Members with respect to any transfer of deposited securities or funds to such Member and shall decline to accept instructions from such Member with respect to the transfer of deposited securities to other Members except as provided by the Board of Directors in any particular case.

(c) After the Corporation has ceased to act for a Member, either in respect to a particular transaction or transactions generally, the Corporation shall nevertheless have the same rights and remedies in respect to any debit balance due from such Member or any liability incurred on the Member's behalf as though it had not ceased to act for the Member.

(d) As security for any and all liabilities existing, or arising, of a Member to the Corporation, the Corporation shall maintain a lien on all property placed by a Member in its possession, including but not limited to, securities and cash in the process of clearance or on deposit with, or pledged to the Corporation in satisfaction of a Member's Clearing Fund deposit. Notwithstanding the foregoing, the Corporation shall have no lien in respect of, nor any right to pledge or hypothecate, any Securities carried by a Member for the account of its customer in respect of which full payment shall have been made to the Corporation. With respect to securities held on behalf of the Corporation at a Correspondent Depository, unless the rules of the Correspondent Depository have been filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, the Corporation shall not be authorized to grant to such depository any lien reserved by the Corporation pursuant to these Rules.

Nothing in these Rules shall be deemed to require the Corporation, or any Correspondent Depository, nominee or other custodian of any Securities held by or for the Corporation, to deliver any Securities or other property in contravention of any notice of levy, seizure or similar notice, or order or judgement, issued or directed by a governmental agency or court, or officer thereof, having jurisdiction over the Corporation or such Correspondent Depository nominee or other custodian, which on its face affects such Securities or other property.

(e) The provisions of this Rule shall not apply in a case where a Member is insolvent, as defined in Rule X and in such cases the provisions of such Rule X shall govern.

Amended.

Rule X Insolvency

Sec. 1.

NOTICE OF INSOLVENCY

A Member which fails to perform its contracts or obligations or determines that it is unable to do so shall immediately inform the Corporation orally and in writing of such fact.

Sec. 2.

PROCEDURE UPON INSOLVENCY

(a) As used in this Rule, the phrase "Time of Insolvency" shall mean the time when the Corporation determines to its reasonable satisfaction that the Member has failed to perform its contracts or obligations or is unable to do so.

(b) From and after the Time of Insolvency of a Member the Corporation shall cease to act for it, except as hereinafter provided in this Rule or as determined by the Board of Directors in any particular case. The Corporation shall, as soon as possible after the Time of Insolvency notify the insolvent Member and other Members of action taken pursuant to the provisions of this Rule and such notice shall state in general terms, how pending matters will be affected and what steps are to be taken in connection therewith.

(c) From and after the Time of Insolvency the Corporation shall decline to accept instructions from other Members with respect to any transfer of Securities to the insolvent Member and shall decline to accept instructions from the insolvent Member with respect to the transfer of Securities to other Members, except as provided by the Board of Directors in any particular case.

(d) All open long and short positions in the account of an insolvent Member may be closed by off-setting transactions on the Exchange or on any other exchange, or in the over-the-counter market, or by private sale, where necessary. Any such closing of positions shall be subject to the directions of any authorized officer of the Exchange or of the Corporation. Following such closing of positions, the insolvent Member, or any trustee or receiver that has been appointed to act for it, will be notified as to the position closed-out and the prices at which such transactions were effected. Such notice may take the form of confirmation of the trades that are effected in conducting such closing of positions. The Corporation shall be entitled promptly to recover from the insolvent Member all amounts payable in such Member's account with the Corporation, including all amounts payable as a result of the foregoing transactions, together with all of the Corporation's expenses in connection therewith.

(e) As security for any and all liabilities of a Member to the Corporation, the Corporation shall maintain a lien on all property placed by a Member in its possession, including but not
limited to, securities and cash in the process of clearance or on deposit with, or pledged to, the Corporation in satisfaction and/or in excess of a Member's Clearing Fund deposit provided, however, that in no event shall the Corporation have any lien on securities carried by a Member for the account of its customers where such lien would be prohibited under Commission Rules 8c-1 and 15c2-1.

Amended.


Rule XI Discipline and Denial of Access

Sec. 1.

SANCTIONS

The Corporation may censure, suspend, expel or limit the activities, functions or operations of any Member for any violation of the Rules or its agreements with the Corporation. The Corporation may, in addition to or in lieu of such sanctions, impose a fine on any Member for any violation of the Rules or procedures of, or its agreements with, the Corporation or for any neglect or refusal by such person to comply with any applicable order or direction of the Corporation or for any error, delay or other conduct embarrassing the operations of the Corporation.

Sec. 2.

FINES

(a) The Corporation (in the person of the Chairman of the Board, the President, any Executive Vice President, any Vice President or the Secretary of the Corporation) may impose a fine on a Member for a violation of these Rules or agreements with the Corporation; or for errors, delays or other conduct detrimental to the Corporation; or for any neglect or refusal by such Member to comply with any applicable order or direction of the Corporation, provided however, that no fine imposed under this Section 2 for any given offense shall exceed the sum of $5,000.00.

(b) A Member may appeal the imposition of a fine imposed pursuant to this section by submitting a written request for review to the Secretary of the Corporation within ten (10) days of receipt of written notice of the Fine. Such review shall be conducted by the Board of Directors of the Corporation and payment of any fine levied hereunder shall be stayed pending a decision.

(c) If a Member fails to request a hearing within ten (10) days of receipt of written notice, any such fine levied hereunder shall become final and nonappealable.

Amended.

Sec. 3.

NOTICE

(a) Before any sanction is imposed or any fine is levied other than as provided in Section 2 of this Rule, or if levied as provided in Section 2, results in fines during any six preceding months exceeding $30,000.00, or if the Corporation denies membership to an applicant, the Corporation shall

(i) Give the notices required by Section 17A(b) (5) of the Securities Exchange Act of 1934 as amended, by certified mail, return receipt requested, addressed to the Member or person to receive such notice at such Member's or person's address as appearing on the records of the Corporation. Such notice shall (a) contain the specific charges against, or specific grounds for denial, bar, prohibition or limitation of such Member or person (the "respondent"), and (b) advise such respondent of the right to file an answer or request a hearing regarding any such denial.

(b) Notice of specific disciplinary charges as required by (i) above shall be in the form of a written statement ("charge memorandum") and shall be signed by an authorized officer of the Corporation. The charge memorandum shall set forth the specific facts upon which the charges are based, the specific provisions of By laws, Rules, procedures or agreements alleged to have been violated, and the persons or organization alleged to have committed each of the violations.

(c) A respondent shall have twenty-five (25) days from the date of receipt of the notice referred to in this Rule to file an answer to said charge or request a hearing concerning such denial with the Secretary of the Corporation. Any such answer or request shall be in writing, signed by or on behalf of the respondent. The answer to a charge memorandum shall admit or deny each of the specific allegations set forth in the charge memorandum and contain, in reasonable detail, any affirmative defense or explanatory material which the respondent wishes to set forth. Any allegation in the charge memorandum not specifically denied in the answer may, for all purposes, be deemed admitted. Failure to file an answer within the specified time or such other extended time period as may be approved by the Hearing Officer may be deemed an admission of any facts and charges asserted in the charge memorandum.

(d) The Secretary of the Corporation shall forward copies of the charges, denial of membership, and any answer or request for hearing received to the Chief Hearing Officer.

Amended.


Sec. 4.
HEARING PANELS

(a) Hearing with respect to disciplinary charges or denials of membership shall be held before a Hearing Panel consisting of at least three persons: A Hearing Officer who shall be the Chairman of the Panel and at least two Members of the Hearing Committee.

(b) The Chairman of the Board shall, from time to time, subject to the approval of the Board of Directors, appoint members of the Board of Directors as Members of the Hearing Committee as the Chairman may deem necessary. Subject to the approval of the Board, the Chairman shall appoint a Chairman of the Hearing Committee who shall also serve as the Chief Hearing Officer.

(c) Prior to a hearing, the Chief Hearing Officer shall select at least two prospective Panelists from the Hearing Committee to serve on the Hearing Panel. Such prospective Panelists may not have any direct or indirect interest in the outcome of the matter to be heard or any knowledge, opinions or relationship which would make their service on the Panel inappropriate. In the event that the Chief Hearing Officer is disqualified from serving on a Panel said Chief Hearing Officer shall appoint a member of the Hearing Committee to serve as Hearing Officer for the hearing.

Sec. 5.

HEARINGS

Hearings shall be conducted in accordance with the following procedures:

(a) Parties to the hearing (the respondent and an authorized officer of the Corporation) shall be sent a list of prospective Panelists and the name of the Hearing Officer. Following such notification, the parties may, within ten days, file with the Hearing Officer objections for cause as to any or all of the prospective Panelists, or as to the Hearing Officer. The parties are prohibited from contacting, directly or indirectly, the prospective Members of the Hearing Panel. The Hearing Officer shall rule on all such objections and shall serve on the Hearing Panel. In the event that the Chief Hearing Officer, or other Hearing Officer is thus disqualified, the Chief Hearing Officer shall appoint another Member of the Hearing Committee to serve as the Hearing Officer.

(b) Notice of the time and place for any such hearing and the Members of the Panel shall be set by the Hearing Officer.
(c) Either party, prior to the hearing, may apply to the Chief Hearing Officer to resolve procedural matters relating to the case. After the hearing has begun such application should be made to the Hearing Officer assigned to the Hearing. Such applications must be made with notice to all parties. Ex parte communications with any Panelist or Hearing Officer are forbidden. The Chief Hearing Officer or a Hearing Officer designated shall, upon request, permit a respondent or the Corporation to inspect and copy documents or records in possession of either party which are material to the proceedings. This does not authorize the discovery or inspection of reports, memoranda or other internal Corporation documents prepared by the Corporation or respondent in preparation for the proceedings. A Hearing Officer may require a pre-hearing conference on any case. Appeal of any procedural determinations of the Hearing Officer may be made only after a Panel has issued its final decision on the charges. The Corporation and any member or person shall be entitled to be represented by counsel at any hearing held hereunder. The Hearing Panel may assist in attempting to obtain at the Hearing the presence of witnesses whose testimony is relevant and necessary.

Sec. 6.

CONDUCT OF HEARINGS

(a) The Hearing Officer shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of the Hearing. Formal rules of evidence shall not apply. The charges shall be presented by a representative of the Corporation who, along with respondent may present evidence and produce witnesses. Witnesses shall testify under oath, shall be subject to cross examination and to questioning by the Hearing Panel. The Hearing Panel may, on its own motion, request the production of documentary evidence and witnesses. A transcript of the hearing shall be made and shall become a part of the record and a copy shall be made available to each party, upon request.

(b) In lieu of the procedures set forth in paragraph (a) above, a Hearing Panel, at a Hearing called for that purpose, shall also conduct disciplinary hearings on the basis of a written Stipulation of Consent entered into between the respondent and the Corporation. Any such Stipulation and Consent shall contain a stipulation with respect to the facts, or the basis for findings of fact by the Hearing Panel; a consent to findings of fact by the Hearing Panel, including a finding that a specified offense had been committed; and a consent to the imposition of a specified penalty. Neither of the parties will be permitted to offer any argument which is inconsistent with the stipulated facts or to ask for the imposition of any penalty other than that agreed upon in the stipulation. In any such Hearing, if the Hearing Panel determines that the respondent has committed an offense, it may impose the agreed upon penalty set forth in such Stipulation and Consent or any penalty which is less severe than the stipulated penalty, as it deems appropriate. In addition, a Hearing Panel may reject such Stipulation and Consent. Such rejection shall not preclude the parties to the proceeding from entering into a modified Stipulation and Consent which shall be presented to a Hearing Panel in accordance with the provisions of this section nor shall such rejection preclude the Corporation from bringing or presenting the same or different charges to a Hearing Panel in accordance with the provisions of this Rule.
Sec. 7. **DECISION**

After a hearing the Panel shall:

(a) In the case of disciplinary hearings not resulting from a Stipulation and Consent, determine by majority vote of all members of the Panel whether the respondent is guilty or not guilty with respect to each specific charge. If the Panel determines that the respondent is guilty with respect to one or more charges, the Panel shall announce its decision either orally or in writing and state whether it was by majority or unanimous vote. The parties shall be given an opportunity to present to the Panel their recommendation as to the appropriate penalty. The Panel shall then, by majority vote of all Members of the Panel, determine the penalty to be imposed.

(b) In the case of a disciplinary hearing to consider a Stipulation and Consent, determine by majority vote whether to accept the Stipulation and Consent, reduce the penalty or reject it.

(c) In the case of denial hearings, determine by majority vote of all members of the Panel whether or not such denial should be upheld or modified.

(d) In all cases the Panel shall accompany its determination with the appropriate statement required pursuant to Section 17A(b) Securities Exchange Act of 1934, as amended. Statements and written decisions of the Panel shall be promptly served on the parties to the Hearing.

Sec. 8. **REQUEST FOR REVIEW**

Except for decisions made by the Board of Governors, which shall become final when made, any determination made pursuant to this Rule shall become final within twenty (20) days after its filing with the Secretary of the Corporation unless a request for review thereof by the Board of Directors is filed with the Secretary prior to the end of such period. Such requests may be filed either by or on behalf of any party to the proceedings. Upon such request the Secretary shall make the record of the proceedings available to the Board of Directors.

Sec. 9. **REVIEW**

Upon review, either summarily or after notice and opportunity for hearing (which may consist solely of written or oral argument), the Board of Directors may, by majority vote, sustain, reverse or modify such determination or return the matter to the Panel for further findings. The decision of the Board shall be final and conclusive.
Sec. 10. NOTICE OF FINAL DECISION

The Secretary of the Corporation shall file notice of any final decision hereunder with the Securities and Exchange Commission 19(d)(2) and shall give the notice required by Section 19(d)(2) of the Securities Exchange Act of 1934, as amended.

Amended.


Rule XII Miscellaneous

Sec. 1. DELEGATION

Except where action by the Board of Directors is specifically required by the Rules, the Corporation may act by the Chairman of the Board, the President, any Executive Vice President or any Vice President or by such other person or persons, whether or not employed by the Corporation, as may be designated by the Board of Directors from time to time.

Sec. 2. PROCEDURES

The Board of Directors shall, pursuant to these Rules prescribe Procedures and other regulations in respect of the business of the Corporation. The Board of Directors may by resolution delegate to the Chairman of the Board, the President, any Executive Vice President or any Vice President of the Corporation the power to prescribe procedures and regulations and any amendment thereto.

Sec. 3. AMENDMENTS TO BY-LAWS, RULES OR PROCEDURES

(a) The By-Laws, Rules and Procedures of the Corporation may be amended by the Board of Directors to the shareholders of the Corporation. The Corporation shall give written notice to all Members when it shall have filed a proposed rules change with the Securities and Exchange Commission pursuant to the provisions of Rule 19b-4 of the Securities Exchange Act of 1934. The requirements of this Rule shall be deemed to have been satisfied if Members are notified that a proposed rules change has been filed and that copies thereof are available at all designated offices of the Corporation for inspection by interested Members. This Rule shall not require the Corporation to give notice of any modification that is made in a proposed rules change after the Corporation has given notice of such proposed rules change, although to the maximum extent practicable, the Corporation shall also give notice of such modifications. The failure of the Corporation to comply with this Rule in any respect shall not affect the validity, force or effect of any rules change or of any action taken by the Corporation pursuant thereto.
(b) Each Member shall be bound by any amendment to the By-Laws, Rules or Procedures of the Corporation with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were a part of the By-Laws, Rules or Procedures of the Corporation at the time application is made, provided, however that no such amendment shall affect the applicant's right to cease to be a Member unless before such amendment becomes effective the applicant is given an opportunity to give written notice to the corporation of its election that the Corporation shall definitively cease to act for it.

Sec. 4.

SUSPENSION OF RULES OR PROCEDURES

(a) The time fixed by these Rules and the Procedures for the doing of any act or acts may be extended or the doing of any act or acts required by these Rules may be waived or any provision of these Rules may be suspended by the Board of Directors, by the President or any Executive Vice President whenever, in the judgement of the Corporation, such extension, waiver or suspension is deemed a necessary expedient.

(b) A written report of any such extension, waiver or suspension, stating the pertinent facts, the identity of the person or persons who authorized such extension, waiver or suspension, and the reason such extension waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Member during regular business hours on business days, provided, however, that no such written report need be made in connection with any extension of time for a period not in excess of eight (8) hours. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than sixty (60) calendar days after the date thereof unless it shall be approved by the Board of Directors within such period of sixty (60) calendar days.

Sec. 5.

CAPTIONS

Captions to any Rules are for information and guidance only, are not part of any Rule and are to be given no consideration in applying or construing any Rules.

Sec. 6.

INDEMNIFICATION

Members shall indemnify and hold harmless the Corporation and the Exchange against any loss, liability or expense sustained, including (i) assessments, (ii) losses, liabilities and expenses arising from claims of third parties and from taxes or other government charges, and (iii) related expenses in respect to any security; provided, however, Members shall not be liable for any such losses, cost, expenses, damages and liabilities that may arise by reason of the negligent, fraudulent or criminal acts of the Corporation or its respective officers, employees or agents. Each Member acknowledges that it shall remain solely responsible and liable for its transactions.
Except as provided in this Rule, the provision of such services described herein by the Corporation shall not be deemed as an assumption by the Corporation or the Exchange of any responsibility or liability.

Amended.
