

Priority of Agency Cross Transactions

(b) When a member has an order to buy and an order to sell an equivalent amount of the same security, and both orders are of 25,000 shares or more and are for the accounts of persons who are not members or member organizations, the member may "cross" those orders at a price at or within the prevailing quotation. The member's bid or offer shall be entitled to priority at such cross price, irrespective of pre-existing bids or offers at that price. The member shall follow the crossing procedures of Rule 76, and another member may trade with either the bid or offer side of the 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. *Following a transaction at the improved price, the member with the agency cross transaction shall follow the crossing procedures of Rule 76 and complete the balance of the cross.* No member may break up the proposed cross transaction, in whole or in part, at the cross price. No specialist may effect a proprietary transaction to provide price improvement to one side or the other of a cross transaction effected pursuant to this paragraph. A transaction effected at the cross price in reliance on this paragraph shall be printed as "stopped stock".

When a member effects a transaction under the provisions of this paragraph, the member shall, as soon as practicable after the trade is completed, complete such documentation of the trade as the Exchange may from time to time require.

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III. Sale "Clears the Floor"

Following a sale, all bids and offers previously entered are deemed to be re-entered and are on parity with each other. For example, assume that the market in XYZ is 0.20 bid for 5000 shares, with 5000 shares offered at 0.25. On the bid side of the market, Broker A is bidding for 1000 shares and has priority. Brokers B, C, D, and E are each bidding for 1000 shares, with B being ahead of C, C being ahead of D, and D being ahead of E. On the offer side of the market, Broker F is offering 1000 shares and has priority. Brokers G, H, I, and J are each offering 1000 shares, with G being ahead of H, H being ahead of I, and I being ahead of J. Broker K enters the Crowd and sells 1000 shares to Broker A's bid of 0.20. The market then

becomes 0.20 bid for 4000 shares, with 5000 offered at 0.25. Brokers B, C, D, and E are now on parity on the bid side of the market, and Brokers F, G, H, I, and J are now on parity on the offer side of the market.

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Rule 75 Disputes as to Bids and Offers

Disputes arising on bids or offers, if not settled by agreement between the members interested, shall be settled by a Floor Official. In rendering a decision as to disputes regarding the amount traded, the Floor Official shall give primary weight to statements by any member who was not a party to the transaction and shall also take into account the size of orders held by parties to the disputed transaction, and such other facts as he deems relevant. *If both parties to a dispute agree, and the dispute involves either a monetary difference of \$10,000 or more or a questioned trade, the matter may be referred for resolution to a panel of three Floor Governors, Senior Floor Officials, or Executive Floor Officials, or any combination thereof, whose decision shall be binding on the parties. As an alternative to a panel of three Floor Governors, Senior Floor Officials, or Executive Floor Officials, or any combination thereof, members may also proceed to resolve a dispute through long-standing arbitration procedures established under the Exchange's Constitution and Rules.*

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Rule 91 Taking or Supplying Securities Named in Order

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.10 Confirmation of transactions.—When a member or member organization is notified to send a [representative] member to a specialist's post for the purpose of confirming a transaction with another member who has elected to take or supply for his own account the securities named in an order entrusted to him, the member or member organization so notified or a member representing the notified party must respond [promptly] *as soon as practicable under the prevailing circumstances following notification to the member or member organization of the report of execution of the transaction.* The transaction must then be either confirmed or rejected with a member and not with a clerk. [The representative] *Transactions which are not then confirmed in accordance with the procedures above are deemed to have been accepted. If the specialist*

took or supplied the securities, the member so notified must initial the memorandum record of the specialist which shows the details of the trade and return it to the specialist. The specialist must keep such memoranda records for a period of three years.

Any disagreement as to whether a member or member organization has taken timely action pursuant to this paragraph shall be resolved in accordance with the principles of Rule 75.

.20 Principal transactions against orders in specialists' possession.—A specialist occasionally may effect a transaction as principal against an order which had been entered for an account carried by the specialist's organization or serviced by someone at his organization. In such cases, [it is desirable that] all specialists *must* follow a uniform procedure. The customer for whom the order had been entered [should] *must* be contacted promptly. The fact that the stock has been taken or supplied as principal against his order [should] *must* be explained to him so that he may then accept or reject the transaction.

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.50 Rejection of specialist's principal transactions—*If there is a continued pattern of rejections of a specialist's principal transactions, a Floor Official may be called upon and require the broker to review his or her actions. It should be noted, however, that if a customer gives instructions to his or her broker to reject trades with the specialist's name on the other side, this would be a conditional order and should not be entrusted to the specialist for execution.*

The foregoing does not compromise the unconditional right of a broker to reject any trade where the specialist trades as principal. In addition, no disciplinary process would be triggered against the broker for exercising his right to reject the trade.

Rule 95 Discretionary Transactions

(a) 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 transaction for the purchase or sale of any stock 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. *The member must receive all material terms of an order, as referenced in (1), (2), and (3), from the member's customer off the Floor, and may not*