



# **Amex Hybrid Market**

## **Summary of Business Requirements for Equities and ETF Securities under Regulation NMS**

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## 1 Introduction

This document summarizes the business requirements for a hybrid market structure to support the trading of equities and exchange-traded funds (ETFs) operating under RegNMS at the American Stock Exchange. The intended audience comprises those who are responsible for implementing the Auction and Electronic Market Integration (AEMI) platform and the associated processes that will facilitate the hybrid market.

## 2 Amex Market Structure

The Amex's hybrid market structure will provide for a single, electronic market place that supports both automated execution and floor-based trading in an integrated way. Users will be able to choose from a variety of execution methods the path that best suits their purpose at any point in time, with a choice of automated execution with electronic price improvement, point-of-sale floor representation and auction representation. Access to automated execution will be limited only when there is a need to minimize volatility. Specialists will provide liquidity and stabilization to the market place by maintaining affirmative quote obligations, giving price improvement, managing auctions and adding resident liquidity on the AEMI book at multiple price levels. Market Makers will add liquidity to ETFs through the constant provision of multiple two way quotes. Floor Brokers will maintain their value-added services through their proximity to the point-of-sale participation in auctions, trading on parity, and provision of liquidity to the electronic environment in the form of reserve crowd orders.

## 3 Regulation NMS

Regulation NMS will introduce new rules relating to trade-through protection, sub-penny trading, market access, and market data revenue distribution. The reform of the trade-through rule has the biggest impact on market structure, and this document only covers the effect of this reform and the requirements relating to sub-penny trading.

Under RegNMS, Amex will qualify as an automated trading center and Amex will publish automated or 'fast' quotes by default. The publication of automated quotes means that incoming orders must be executed immediately and automatically, which is defined as being within one second of receipt of the order, and executed without human intervention. When automated quotes are published, incoming orders will be automatically executed by AEMI. If the Amex is not at the NBBO, and no price improvement is available, the incoming order will be routed out immediately to the trading center(s) with the best-priced automated quote. Auto-ex will be enabled during the regular trading session apart from in limited, defined circumstances, such as a period of high volatility, the presence of a large imbalance, or system failure. In these cases, auto-ex will be disabled and Amex will publish a manual or 'slow' quote, while the Specialist takes action (e.g. conducts an auction) and re-quotes the market within a defined time frame.

## 4 Product coverage

The Amex hybrid market offers trading in the following products, which may be expanded to cover other instruments in the future:

- i) Amex-listed equities (including structured products)
- ii) Amex-listed ETFs (including HOLDRS)
- iii) Non-Amex listed equities (UTP)
- iv) Non-Amex listed ETFs (UTP)

## 5 Participants

Participants are segmented between trading participants and non-trading participants, and collated under Firms, Groups, or individually. Functions such as Floor Officials are secondary attributes of existing individuals.

Category	Individuals
Specialist Firm	Specialists Specialist Clerks
Market Maker Firm or Group	Market Makers
Broker Dealer Firm (member)	On Floor Broker Off Floor Broker Booth Supervisor Booth Clerk
Broker Dealer Firm (non-member)	Off Floor Broker
Non-Trading Participants	Service Desk Operations Control Systems Support Surveillance Regulatory

### 5.1 Specialist Firms

Specialist Firms are member firms. A Specialist Firm may have many Specialists and Specialist Clerks.

#### 5.1.1 Specialists

Specialists belong to Specialist Firms and are responsible for maintaining orderly and liquid markets in the securities assigned to them.

Specialists' responsibilities include:

- Open, close and re-open securities
- Publish CQS and ITS indications as required
- Maintain their affirmative quote obligation (“mandatory quote”) by maintaining a two-sided quote at all times during the regular trading session
- Publish imbalances as required
- Manage imbalances in the market
- Run and participate in auctions to facilitate price discovery
- Manage orders left with them by Floor Brokers
- Maintain fair and orderly markets
- Print negotiated trades for Floor Brokers (including crosses) and Market Makers
- Satisfy away market obligations

Specialists may:

- Use the auto-quote facility provided by AEMI
- Stream in quotes at single or multiple price points
- Stream in or manually enter parameters to provide passive price improvement
- Hit or take limit orders appearing on the book (where regulations permit)
- Access away automated and manual quotes

- See aggregated reserve quantities and stacked quotes in the AEMI book

### **5.1.2 Specialist Clerk**

A Specialist Firm may have one or more Specialist Clerks whose function is to support the Specialist and whose system functions are identical to those of a Specialist. A Specialist Clerk may support more than one Specialist at any given time. Specialist Clerks only effect transactions under the supervision of a Specialist.

### **5.1.3 Specialists, Specialist Clerks, and Securities**

Securities are assigned to firms and may be viewed and traded by one or more Specialists and Specialist Clerks simultaneously. Each Specialist registers in securities when he logs on, to be able to perform Specialist functions. The first Specialist to register in a particular security becomes the “primary” Specialist. Other Specialists within the same firm may also register to trade in a particular security, but each security has only one primary Specialist at any given time. During the day, a primary Specialist may de-register by passing the primary Specialist function to another designated Specialist, who acknowledges this transfer of responsibility. This enables the natural movement of personnel without the need to log out.

### **Relief Specialist**

A Specialist created in another Specialist Firm may be assigned as the Primary Specialist in the absence of any Specialist within a firm. This Relief Specialist derives all the privileges of the Specialist for whom he is acting, but only for the securities in the profile of that Specialist.

## **5.2 Market Maker Firms & Groups**

A Market Maker Firm or Group is an entity that has one or more Market Makers. Market Makers trade only ETFs and structured products (and options). They may trade any security on the Amex unless the Service Desk expressly excludes it from the Firm or Group. Once quoting a security, they have a responsibility to maintain two-sided competitive quotes.

Market Makers may:

- Use the auto-quote facility provided by AEMI
- Stream in quotes at single or multiple price points
- Provide passive price improvement
- Access away automated and manual quotes
- Hit or take limit orders appearing on the book
- Participate in auctions when they are quoting in a security.

## **5.3 Broker/Dealer Firms (members)**

Broker/Dealer Firms are member firms that provide order flow for their own accounts and on behalf of their customers. They may route orders to a Booth or to a Floor Broker or send orders directly to the AEMI book. All order flow is sent to the AEMI book electronically.

### **5.3.1 Booth**

A Booth is in the name of a single Broker/Dealer Firm on the trading floor. A Broker/Dealer Firm may have multiple booths. A Booth receives orders from Broker/Dealer Firms, non-member Broker/Dealer firms, independent members, and from its Floor Brokers.

### **5.3.2 Booth Supervisor**

A Booth Supervisor belongs to a single Broker/Dealer but may be assigned to multiple Booths. His responsibilities include:

- Submit orders to the AEMI book on behalf of the Broker Firm or its customers
- See order and trade activity for his own Firm
- Send orders, or a part of an order, for automated execution, to a Floor Broker, to a Specialist or another Booth member
- Re-assign orders.

### **5.3.3 Booth Clerk**

A Booth Clerk belongs to a single Broker/Dealer firm but may be assigned to multiple booths. One or more Booth Clerks may be assigned to a Booth. The primary responsibilities of a Booth Clerk include:

- Submit orders to the AEMI book on behalf of the Broker Firm or its customers
- Route an order, or part thereof, to the AEMI book or to another user
- See order and trade activity relating to his Broker Firm.

### **5.3.4 Floor brokers**

Floor brokers trade customer and broker-dealer orders on the floor. They receive customer order flow directly by telephone, or electronically from their broker booth. Floor brokers interact with the market place using a handheld to manage their order flow, since all client orders must be captured electronically prior to representation in the book or crowd.

Their primary responsibilities include:

- Take and manage a variety of order types for their customers
- Enter, cancel and amend public and crowd orders onto the book
- Initiate and participate in auctions
- Receive and trade orders from other Floor Brokers from the same or different firms

They may:

- Enter reserve crowd orders
- Capture customer orders taken by telephone
- Send orders to other Floor Brokers within the same or in a different firm
- Hit or Take
- Access away automated and manual quotes
- Cross stock
- Represent multiple give-ups simultaneously
- Break up orders for which they are responsible into smaller orders

## **5.4 Non-Member Broker/ Dealer Firms**

Non-member broker dealer firms are Off-Floor Brokers or Order Entry firms. They send in order flow electronically using a unique mnemonic. An off-floor member may only send an order to the AEMI book via a sponsoring member.

## **5.5 Non-Trading Participants**

### **5.5.1 Supervisory Functions**

Floor Officials, Exchange Officials, and Floor Governors, are all additional privileges belonging to existing individuals. Any user may be designated as only one of:

- Floor Official
- Exchange Official
- Senior Floor Official

Their functions are not included in this document except where the omission of their supervision or authorization would leave a described process incomplete.

### **5.5.2 Service Desk, Operations Control, Systems Support**

Service Desk, Operations Control, and Systems Support users perform a wide variety of non-trading functions for the purpose of market control. This includes a host of regular activities and situation-specific activities, including but not limited to:

- User management
- Instrument management
- Halting trading
- Withdrawing quotes
- Canceling, amending or re-instating an order in the AEMI book
- Busting or correcting trades
- Processing corporate actions.

## **6 Access**

The Specialist operates from a post located on the floor of the Amex where Floor Brokers and Market Makers also congregate. Electronic participants must either be members or be sponsored by members in order to have access.

### **6.1 Front ends**

- The Amex will supply an API for all internally and externally located participants to write to.
- The Amex will supply a trading front end for floor-based Specialists
- Floor brokers will be supplied with a vendor-built handheld application
- Market makers will be offered a front end, or may write to the API.
- The Amex will not supply or support any front-end used off-floor. The Amex will work vendors to provide access to the Amex via their front-end software, but will not be responsible for the behavior of such software.

### **6.2 FIX messaging standard**

The messaging standard for order and trade data passing to and from systems external to the Amex is the Financial Information eXchange protocol. Common Message Switch (CMS) will be phased out in favor of industry standard protocols.

### **6.3 Floor broker Handhelds**

Floor Brokers will be required to use handheld applications, which enable them to:

- Receive orders, from the booths, off floor participants and other Floor Brokers
- Receive amendments and cancellation requests
- Enter, amend and cancel customer orders
- Send, amend and cancel orders to the public book/Specialist
- Represent themselves electronically as crowd participants
- Represent multiple give ups
- Allocate trades to orders manually and automatically
- Hit or Take
- Access away markets

## 7 Order Routing

Incoming order flow may be sent to the AEMI book or to a Booth. Orders that cannot be executed automatically are sent to a Booth in BARS and subsequently managed by Booth personnel and Floor Brokers. The destination is first determined by a routing algorithm, which validates whether the order may/must go to the AEMI book, or whether the order may/must go to a broker for handling. For example; *Not Held, 144 and Stabilizing* order types must be sent to a Booth; Odd Lot orders go only to the AEMI book; *Cap DI* and *Reserve Crowd* orders are generated by Floor Brokers only and must be sent to the AEMI book.

Orders received from off floor members may be sent:

- i) Directly to the book
- ii) To a Booth

Orders may be sent to the AEMI book via:

- i) An official Amex front end in use on the floor
- ii) An API from a proprietary trading system
- iii) Amex FIX gateway
- iv) CMS
- v) A Floor Broker's handheld terminal (HHT)
- vi) A broker booth
- vii) ITS commitment

## 8 Trading Sessions

Trading sessions for listed equities, ETFs, UTP equities and UTP ETFs differ in the following ways:

- The order types valid for the Opening session
- The order types valid during a Halt
- Cash Close pair-off (selected ETFs only)
- Initiation of a Halt (UTP securities may be halted by the primary market)
- Some ETFs trade later.

### 8.1 Pre-Opening and Re-Opening

This session commences at a pre-set time daily. Auxiliary Openings start this process at an earlier time on Auxiliary Opening days. Orders, amendments, cancellations, quotes are accepted during this session, and are added to the AEMI book for participation in the opening. No executions may take place. The session ends when the Specialist invokes the Opening Pair-Off session.

#### 8.1.1 Auxiliary Open Imbalance Publications

An order imbalance may be published to encourage users to submit orders that will offset the imbalance during the Auxiliary Opening.

#### 8.1.2 Indications and Pre-Opening Notifications

Prior to the Opening pair-off, the Specialist may publish an indication or a pre-opening notification to inform other participants of the price range within which the pair-off is to be performed. For Nasdaq UTP stocks, the Specialist generates an indicative quote [see Quoting]. Indications are only published for Equity securities and have prices but no size. They serve as indications of the price range within which the Specialist plans on performing an opening or re-opening pair-off. The Specialist is responsible for ensuring that any ITS indication obligations are

met. Once the indication is published, to enable users to submit new orders for participation in the pair-off, the Specialist is prohibited from performing the pair-off for a configurable period.

## **8.2 Opening and Re-Opening Pair-Off**

The Specialist manually invokes this session when he is ready to perform the opening.

### **8.2.1 Opening Pair-Off**

Each security is manually opened and re-opened (i.e. after a Halt) by the Specialist performing a pair-off of orders in the order book. While the pair-off itself is in progress, incoming orders, amendments or cancellations are queued, unseen to the Specialist. If at any time the Specialist revokes the pair-off, then this queue is added into the book and participates in the new pair-off. If the pair-off session is not completed within 3 seconds, it is canceled and the Specialist must recommence the process.

All crowd orders are considered in parity for the pair-off. Any imbalance of marketable orders is fully or partially filled automatically against the Specialist and principal crowd orders at the pair-off price on the contra side of the imbalance. Market and marketable limit odd lot orders are automatically executed against the Specialist at the opening price. The allocation of trades is allocated as per the parity allocation rules [see Parity & Priority Section] for equities and ETFs.

### **8.2.2 Opening and Re-Opening on a Quote**

The Specialist may also, instead of a pair-off, open or re-open a security on a quote if there are no Market orders in the order book.

### **8.2.3 Delayed Opening**

If the opening has not occurred by a specific time, the opening is considered a delayed opening, and the Specialist requires Floor Official approval to open the security.

### **8.2.4 Gap Opening**

If the opening pair-off price determined by the Specialist exceeds the variance permitted from the previous day's close (including Corporate Action adjustments), the Specialist is prevented from performing the pair-off without Senior Floor Official or Exchange Official approval.

## **8.3 Regular Trading**

The session commences once a security is opened. It is the main trading session of the day during which time matching takes place and the Specialist runs auctions. During the Regular Trading session, auto-ex remains on, and the Amex publishes an automated quote, except in limited circumstances where trading or market activity requires auto-ex to be disabled.

In the case of certain ETF securities, a Cash Close pair-off may be performed during this session. Auto-ex is turned off automatically one second before the designated market close in preparation for the Closing session (Closing Time).

At the end of the opening pair-off session, unexecuted orders with the Open time qualifier are cancelled. The queue that was formed during the pair-off is then processed: Marketable orders relative to the pair-off trade price are paired off, and the imbalance is added to the order book with the original time stamp priority.

## **8.4 Closing Pair-Off Session**

In UTP and listed securities, twenty, and then ten minutes before the market close, the on-close imbalance is published, which is done automatically but the Specialist may update it with Floor

Official approval. Following this, only offsetting LOC and MOC orders are accepted. In all securities the session Closing Pair-Off Session commences automatically at the official closing time, after which time no new orders, amendments, or cancellations are accepted. Each security is manually closed by the Specialist performing a pair-off of orders in the order book. The session ends once the Specialist performs the Closing pair-off. At this point, unexecuted On Close or Day orders are cancelled.

All orders must be captured electronically in order to participate in the close. At the close, the Specialist sets the closing price, and provides liquidity to offset the remaining imbalance at that price, and pairs off the remaining orders. Eligible stop and percentage orders trade at the closing price. Offsetting orders or the unexecuted portion of LOC orders expire automatically.

### **8.5 Post-Close**

Corporate actions are processed during the Post-Close session. Only GTC orders are resident in the book.

### **8.6 Halt**

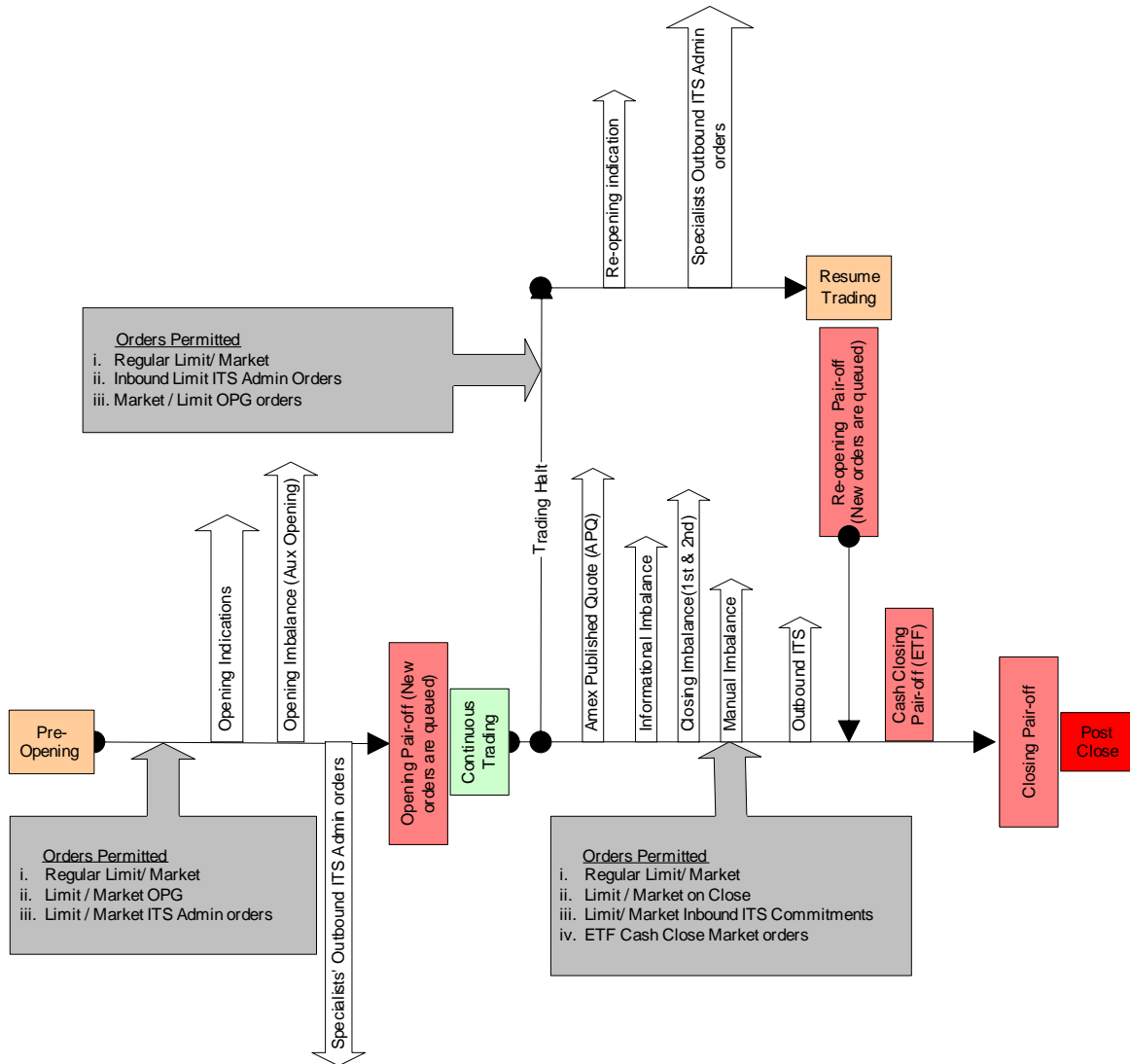
During any session, except Post-Close, trading in a security may be halted with Floor Official approval. For listed equities and ETFs, trading is halted by the Service Desk. For UTPs, trading is automatically halted if the primary market declares a regulatory halt. Depending on circumstance, a single security, a range of related securities or the whole market may be halted. During a halt incoming orders and quotes are added to the AEMI book but no executions may take place. The Specialist may, with Floor Official approval, publish a re-opening indication. The Halt session ends when the Specialist invokes the Opening or Re-Opening pair-off.

### **8.7 Re-Opening Pair-Off**

Once trading may resume, the Specialist manually invokes this session when he is ready to perform the re-opening. This is not permitted in UTPs until the primary market has lifted its regulatory halt. During the pair-off, new orders will queue and not participate in the re-opening or be auto-executed. Once the re-opening pair-off has been performed, the security will move into the Regular Trading, Close or Post-Close session.

### **8.8 Cash Closing Pair-Off**

If Market on Cash Close orders are present in the book, this session commences automatically for ETFs. The session ends once the Specialist performs the Cash Closing pair-off or on the expiry of the pair-off duration.



## 9 Orders

All orders are validated according to a set of configured parameters and permissible combinations.

### 9.1 Floor Brokers

A variety of client orders are handled outside the AEMI book, reflecting the client’s instructions. These orders (e.g. *Not Held* orders) may be broken up and traded piece-meal throughout the day on the AEMI book and through the participation in auctions.

Orders that may be sent in to Booths or Floor Broker handhelds but which may *not* be sent directly to the AEMI book include:

- Company buyback
- 144,145
- Prospectus
- Stabilizing

- Not Held

## 9.2 Order Types & Attributes

An order has one of each of the following, some of which are mutually exclusive:

Attribute	Choices
<b>Order Types handled by HHTs or Booths only</b>	Not Held Company buyback 144,145 Prospectus Stabilizing
<b>Order Type</b>	Market Limit Stop Stop Limit Percentage Reserve crowd (Floor Brokers only)
<b>Give-Up</b>	Required information relating to the client. For an order representing multiple client orders entered by the Floor Broker into the AEMI book, a Multi Give Up order is generated.
<b>Side</b>	Buy Sell Long Sell Short Sell Short Exempt Sell Short Exempt Plus Sell Long Plus Buy Minus Buy Cover Sell Liquidate Cross
<b>Size</b>	Numeric value
<b>Security</b>	Amex mnemonic
<b>Price</b>	Limit or blank if Market order
<b>Account Type</b>	Denotes the client type (e.g. competing dealer, Nasdaq market maker, customer).
<b>Time Qualifier</b>	OPG Close Cash Close Day IOC FOK LOC MOC GTC HoT
<b>Execution Qualifier</b>	Inter-market sweep
<b>Capacity</b>	Agency or Principal for ETFs. Agency, Principal, Specialist for equities. This is a determinant in the execution hierarchy and ensures that customer orders take priority where appropriate. Agency orders are: <ul style="list-style-type: none"> <li>➤ Orders entered by Broker Firms on behalf of non-broker-dealer customers</li> <li>➤ Orders entered by Floor Brokers or Booth Clerks on behalf of non-broker-dealers or end customers</li> </ul> Principal orders are: <ul style="list-style-type: none"> <li>➤ Orders submitted by Broker Firms and brokers on their own behalf where permitted by regulation</li> <li>➤ Orders submitted by Floor Brokers or Booth Clerks on behalf of brokers or Broker Firms where permitted by regulation</li> <li>➤ Orders submitted by Market Makers</li> <li>➤ Quotes of Specialists or Market Makers</li> </ul>
<b>Allocation Indicator</b>	Public or Crowd. This determines the priority of an ETF order within the

	order capacity (agency/principal) layer at a price point for execution. Any user may submit a Public order, but only a Floor Broker may submit a Crowd order.
<b>Settlement Qualifier</b>	Regular

### 9.3 *Permissible actions on an order*

An order may be viewed, amended or cancelled by:

- i) Its owner
- ii) The user that submitted the order
- iii) A Service Desk user

An order may only be amended within the constraints of permissible fields and status of the order. Some attributes may never be amended (e.g. Side, Symbol, give up) without the order being cancelled and renewed. Users may amend fields on an order that will automatically amend the order if appropriate, or generate a cancel-replace order if required. Amendments and cancellations are processed immediately with the exception of:

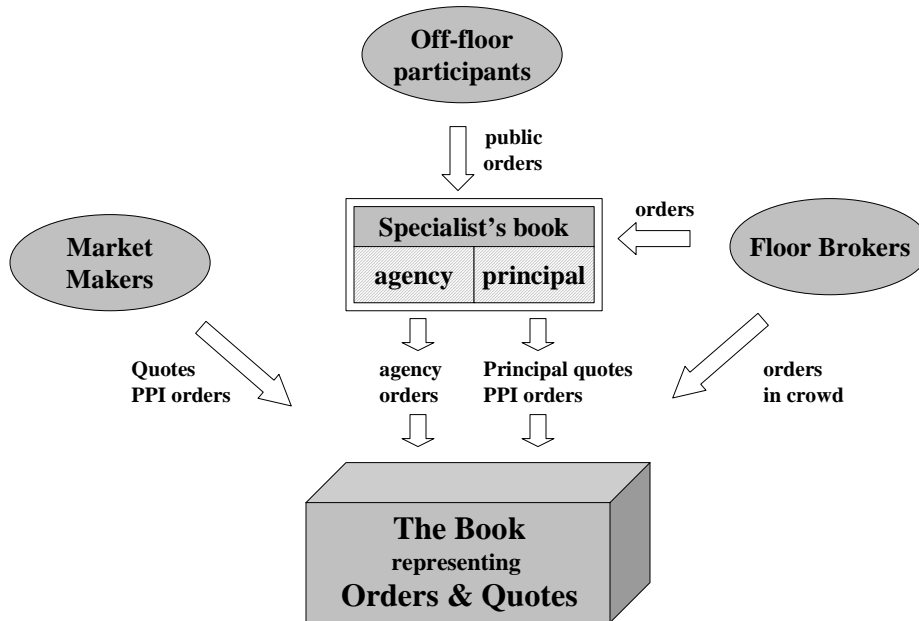
- i) Orders which may be locked in whole/part (outbound commitment)
- ii) Orders that are queued (manual pair-off or opening being performed)
- iii) The MOC/LOC cancellation deadline for the security has passed.

## 10 Execution

The “AEMI book” is the amalgamation of orders and quotes submitted by the Specialists, Market Makers, and Floor Brokers. Quotes and orders submitted by Market Makers and Floor Brokers standing in the crowd interact with the AEMI book directly and are considered crowd interest. All other orders and quotes are reflected as part of the Specialist book, i.e. Specialist quotes, non-crowd orders from brokers and/or Market Makers, and all incoming electronic orders. Where an order is deemed part of the Specialist book, the Specialist is considered the agent to the order, which affects his own standing with regard to execution.

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**Order and Quote Flow to the book.**




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The AEMI book comprises all orders that may be eligible for automated execution during the Regular and Closing Sessions. The AEMI book also comprises orders that require election (e.g. Stop orders and percentage orders). The attributes and execution conditions held on the order dictate its standing and priority in the AEMI book for execution.

**10.1 Sub-Penny Trading**

For stocks priced less than \$1, quotes and orders are permitted to 4 decimal places. For stocks priced equal to or greater than \$1, quotes and orders in sub pennies are not permitted. Some stocks may be an exception, i.e. priced at equal or greater to \$1, but permitting 4 decimal places.

**10.2 Execution of Incoming Orders**

Execution of the incoming order is based on a combination of:

- i) Auto-ex being enabled during the regular trading session
- ii) The parameters and limitations of the incoming order
- iii) The price at the Amex and away automated markets
- iv) The standing and parameters of contra orders
- v) Whether passive price improvement is available
- vi) Spread and Momentum Tolerance
- vii) Trade through exceptions (e.g. stale quotes)

**10.3 Execution of Orders Resident on the Book**

Execution of an order already on the AEMI book is a combination of:

- i) Auto-ex being enabled during the regular trading session
- ii) The parameters and limitations of the order in the AEMI book
- iii) Standing in the book
- iv) Election
- v) The parameters and limitations of incoming orders.

An incoming order executes against orders in the AEMI book if the available prices are equal to or better than the automated quotes of eligible away markets, otherwise it is routed away in whole or in part (see Away Market Obligations section). An IOC order trades only at the Amex and is rejected if its price breaches the Order Protection Rule unless it is marked as an inter-market sweep. Unmarketable limit orders are added to the order book or expire (FOK, IOC).

#### **10.4 Hit or Take orders**

A Hit or Take (HoT) order may be generated by any participant. If an off-floor participant or a Floor Broker sends in a HoT order, it will trade to its limit, generating inter-market sweep orders if required, and any balance will expire.

Specialists and Market Makers may also generate HoT orders. If a HoT order is generated using the AEMI front end, then AEMI will create the order based on the current APQ and then the HoT order will trade to its limit, generating inter-market sweep orders if required, and expiring any unexecuted balance. Some HoT orders for equity Specialists require Floor Official approval.

#### **10.5 Percentage orders**

A Floor Broker may route a percentage order electronically to the Specialist for execution. A percentage order participates automatically throughout the trading day through automatic conversion and election. Conversion may be automatic or manual and is based on parameters, some of which are set on the order (e.g. size) and some set against the security (e.g. spread, price). Automatic conversion is governed by certain conditions in the order book that qualify a percentage order to be converted. The Specialist may also manually convert a percentage order.

In general, a percentage order is automatically elected on each eligible Amex trade occurring after its submission. Elected orders become in-parity IOC orders (see section on Parity & Priority). An incoming order that has filled all the orders at a particular price point is executed against elected percentage orders prior to executing at the next price point.

#### **10.6 Non-Regular Way Trades**

This functionality is no longer supported.

#### **10.7 Odd Lots**

During the Regular Trading session only, odd lots are limited to the size of the round lot trades that elected them. If no round lot trades within 30 seconds of a market odd lot arriving, then the odd lot will:

- Trade at the price of the adjusted ITS bid/offer for listed equities and ETFs, or
- Trade at the qualified NBBO for the Nasdaq UTPs.

## **11 Disablement of Auto-Ex**

Auto-ex is disabled during the regular trading session for an individual security only in the following pre-defined and limited set of circumstances:

- i) The spread tolerance for an order is breached
- ii) The momentum tolerance is breached

- iii) Gap the quote: The Specialist gaps his quote due to an oversized imbalance
- iv) Gap trade prevention, to prevent a trade beyond a range from the last sale
- v) Closing or Cash Close session commences
- vi) Trading halt
- vii) Unusual market conditions, e.g. a “non-firm quote” has been declared
- viii) System malfunction

### **11.1 Spread Tolerance**

Spread Tolerance represents the price range that an incoming single order may execute on the Amex from its first trade. The Spread Tolerance is an exchange-set parameter per security and is applied dynamically according to the price of the stock at the time of execution. The tolerances applied at the Amex are:

<u>Stock Price</u>	<u>Tolerance</u>
Less than \$5	5 cents
\$5-\$15	15 cents
More than \$15	25 cents

For example, an incoming sell order in security priced at \$12.40 may sweep down the book to \$12.25. If the order would exhaust the stock at \$12.25, auto-ex is disabled.

### **11.2 Momentum Tolerance**

A sequence of orders that individually sweep the AEMI book might not individually or collectively trigger Spread Tolerance. The purpose of Momentum Tolerance is to minimize excessive volatility with a defined time span. It is reached when the price of an individual security has moved a defined percentage of its price within a rolling 30-second time span. Within this defined period, the security may trade within minimum and maximum ranges, which are constantly computed based on trading activity. Momentum Tolerance is an exchange-set parameter per security and as such may only be changed by the Service Desk. Momentum Tolerance is triggered when trading in a security has breached the greater of 15 cents or 1% within a 30-second window.

### **11.3 Behavior of orders while auto-ex is disabled.**

When an order breaches the spread or the momentum tolerance, auto-ex (and auto quote where in use) is disabled, and the Specialist is alerted. Incoming orders continue to enter the AEMI book and may be amended and cancelled. The Amex quote is published as a manual quote and further dissemination is suspended until auto-ex resumes. Any incoming FOK or IOC (including ITS commitments) orders expire. The Specialist has 10 seconds from the disablement of auto-ex to act, e.g. pair-off orders, conduct an auction, or gap the quote. Every subsequent 5 seconds, auto-ex attempts to re-enable, unless the Specialist has re-quoted the market in the interim. If the market is locked or crossed, auto-ex will not resume automatically.

### **No imbalance**

A manual quote is automatically published when auto-ex is disabled, comprising the best prevailing bid and offer plus their relative sizes. Auto-ex resumes automatically after 10 seconds, unless the Specialist re-quotes the market prior to this time elapsing or market conditions prevent it. If a gap trade may occur, auto-ex will not resume. Resumption of auto-ex on its own may occur when:

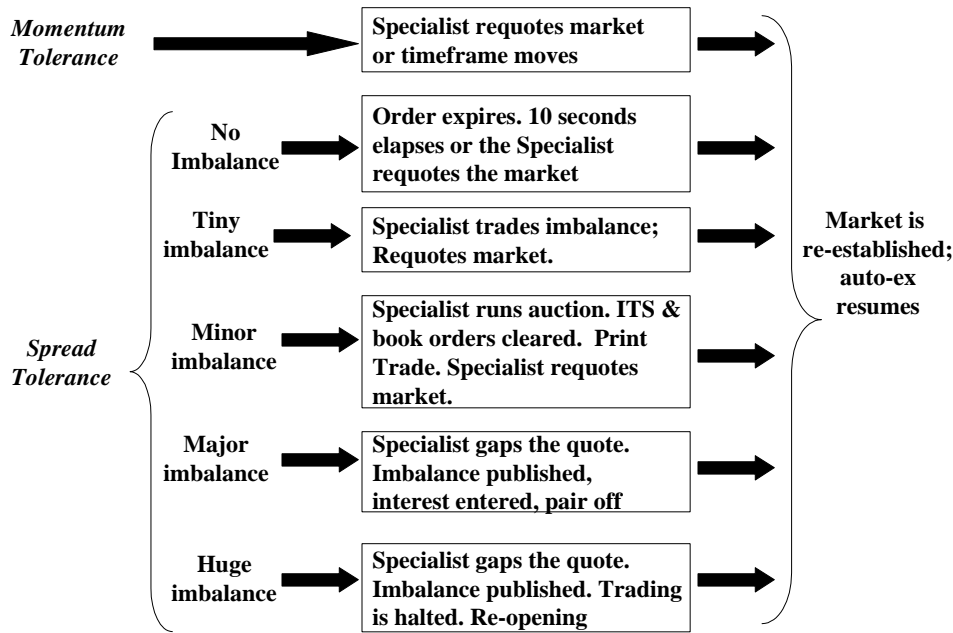
- i) The sweeping order is filled in its entirety

- ii) The sweeping order is an IOC
- iii) There was an imbalance but this is cancelled after several seconds.

**Imbalance**

When an incoming market or limit order causes the breach of Spread Tolerance, the imbalance is inserted into the AEMI book at the last trade. A manual quote is automatically published, comprising the imbalance at the best automated bid offer on the same side as the aggressing order, and the real contra side on the other. In the case of there being no contra side, a stabilizing quote is published (100 shares at a tick away from the last trade). Auto-ex resumes automatically after 10 seconds unless the market is locked or crossed, or the Specialist re-quotes the market prior to this time elapsing, or market conditions prevent it. If a gap trade may occur, auto-ex will not resume. If the imbalance is a market order or a marketable limit order, a locked market is also assumed. A locked or crossed market requires a manual trade by the Specialist to resume auto-ex. Every 5 seconds, auto-ex attempts to resume. If the Specialist has taken no action and the AEMI book is no longer locked or crossed, auto-ex resumes.

**Disablement & re-enablement of Auto-Ex:**



**12 Auctions**

Specialists conduct auctions in order to manage imbalances, which may occur:

- Electronically, when a large order breaches a tolerance and auto-ex has been disabled, or
- Manually, when a Floor Broker walks into a crowd and negotiates a trade, while auto-ex is still enabled.

In both cases, the Specialist conducts an auction and prints the trade so that it satisfies away market obligations and initiates the post-trade allocation process. If the print is at or outside the NBBO, then orders on the book and away market obligations are also considered.

## **12.1 The Auction Process**

The process for managing auctions comprises the following steps:

1. The Specialist conducts the auction. An auction panel supplies information relating to the imbalance, minimum Specialist/crowd exposure, and any away market obligations. The details depend on where the Specialist intends printing the trade, and whether the imbalance is electronic or with a Floor Broker.
2. The Specialist prints the trade.
3. Non-crowd participants to the trade receive notification of the trade.
4. The Specialist electronically verifies and adjusts the verbal commitments of crowd members within an allotted time frame.
5. The crowd participants are notified of their trade.

### **Post Trade Allocation**

In order to participate in auctions, a Market Maker must have a quote in the AEMI book, which designates that he is a crowd participant. A Floor Broker for the contra-side of an imbalance must be represented electronically in the AEMI book with an order on the contra-side of an imbalance. On printing the trade, the Specialist is given a trade window with the eligible crowd members (including himself), and adjusts and verifies their committed interest within 3 minutes. A trade notification is sent to the relevant crowd participants. Market Maker positions are updated. Floor Brokers allocate the trade they receive to order(s) in their HHT, at which point the client information from the orders is passed to AEMI and on to clearing.

## **12.2 Negotiated Trade**

A negotiated trade occurs between two crowd members when auto-ex is enabled. When the trade is agreed verbally, the Specialist (who may be one of the crowd members) prints the trade, entering the side, size, counterparties and price. The trade may only be printed at or inside the APQ. If any away market obligations are rejected or only partially executed, then the balance expires.

## **12.3 Auction Trade with Auto-Ex Enabled**

An auction trade between an initiating crowd member and the crowd may occur when auto-ex is enabled. Generally this occurs when a Floor Broker walks into the crowd and asks the market for a block verbally in the crowd. Once the trade is agreed verbally, the Specialist prints the trade. He enters the side, size, initiating Floor Broker badge ID, and price into an auction panel.

If the print is inside the NBBO, there are no electronic orders on the book and no away market exposure to be satisfied. The exposure is therefore the entire quantity of the Floor Broker's trade. During this period, auto-ex remains on. After the pair-off, the Specialist performs the post trade allocation. If the print occurs at or outside the NBBO, then orders resident on the AEMI book may also participate. At the pair-off, away market obligations are automatically generated to satisfy better-priced automated quotes at away markets. Eligible orders on the book are also included. Any unexecuted size is executed against contra orders on the AEMI book up to the auction price, else included in the Specialist exposure or added to a new post-trade allocation amount. The Specialist adjusts and verifies the allocations in the crowd, which generates the trades to the participants.

## **12.4 Scenario: Manageable electronic imbalance**

If an incoming buy order breaches a tolerance, auto-ex is disabled. The unexecuted balance is inserted into the AEMI book and quoted at the NBB or NBO. Other buy and sell orders coming in

are inserted into the AEMI book in price/time priority but do not auto-execute. The Amex quote is published as a manual quote until the market is re-quoted or auto-ex is resumed automatically.

The Specialist uses the auction panel to assess the imbalance and exposure, and conducts an auction. Away market obligations are generated as required, and a post-trade allocation takes place as described above.

### **12.5 Scenario: Oversized imbalance**

If a large imbalance appears in the market, the Specialist may gap the quote in order to publish an imbalance and attract electronic contra-side interest. Normally the minimum imbalance for a gapped quote is 10,000 shares or \$200,000 value, although circumstances surrounding a particular security may dictate otherwise.

Gapping the quote may occur in two circumstances:

- i) An incoming order has swept the book, disabled auto-ex and has left an unmanageable imbalance in the security. The action of gapping the quote disseminates a gapped quote which comprises the order imbalance at the NBB or NBO on the side of the imbalance on one side, and 100 shares at the price at which the Specialist anticipates the stock will print next.
- ii) A broker walks into the crowd with an oversized order. The action of gapping the quote requires the Specialist to enter the side and size of the imbalance, and the price at which he judges the stock will next print on the other side.

The APQ is the gapped quote. The Specialist is required to ensure that a Floor Official supervises the process. The quote remains gapped for a minimum of 30 seconds (unless conditions dictate otherwise) and a maximum of two minutes, to permit interest to be entered electronically. During this time, depending on the interest expressed, the Specialist performs a pair-off, which re-enables auto-ex. By the end of the two-minute period, the Specialist must either re-quote the market or declare a trading halt.

### **12.6 Scenario: Formal Trading Halt**

If gapping the quote still leaves a large imbalance in the market, the Specialist may declare a formal trading halt, with the prior approval of a Floor Official. The stock is officially halted. The Specialist enters an indication (no sizes associated), to represent a range of prices at which he thinks the stock will print. The crowd and off-floor have at least five minutes to enter interest. The Specialist may re-indicate the stock and must wait at least three minutes after a second indication to reopen the stock, at which point the Specialist performs a re-opening pair-off, which triggers allocation as per the parity rules. This trading halt is distinct from other trading halts outlined under Trading Sessions.

### **12.7 Clearing away markets**

Under RegNMS, automated quotes at away markets must be cleared in order to trade at a worse price on the Amex (See section Away Market Obligations). Depending on the circumstances, one of the following may happen:

- An away market obligation is automatically generated when the Specialists print an auctioned trade. In this case the Specialist guarantees the trade, and any rejected away market obligations are executed at the Amex up to the price of the auction, or booked against the Specialist/crowd.
- A Floor Broker manually sends an order to AEMI in order to clear an away market prior to determining interaction with the crowd.

## 12.8 Crossing

Multiple crossing order types are supported. A Floor Broker may walk a cross onto the floor and expose it to price improvement from the crowd. The following electronic crossing types are also offered for ETFs and UTPs:

- **Electronic Cross** – a cross that may interact with orders in the book but which does not automatically seek price improvement. An electronic cross may be marked as Cross, Cross Only, Midpoint Cross, IOC Cross, or PNP Cross. The designation denotes the behavior relative to the APQ, orders on the book, and any balance. Orders inside the APQ are considered for inclusion.
- **Auction Cross** – a cross that is actively looking for price improvement from the crowd. This cross is exposed for a defined duration of [3] seconds prior to being crossed at the cross price. The sender of the order denotes which side or sides of the cross are eligible for price improvement.

## 13 Trading in the Crowd

A Floor Broker may trade in any crowd on the floor but must be physically present in order to represent a crowd order. On leaving a crowd or logging out of his system, a Floor Broker has a regulatory obligation to adjust his orders and must:

- i) Cancel all crowd orders for securities in the crowd he is leaving, or
- ii) Pass percentage or limit orders to the Specialist, which he can cancel upon his return to the crowd, or
- iii) Electronically pass execution responsibility for his crowd orders to another Floor Broker via his handheld.

### 13.1 Reserve Crowd Orders

Reserve crowd orders enable Floor Brokers to represent their customer interest at varying prices at or outside the quote with respect to the orders they are handling, and to participate in the electronic environment on parity. These orders, which require the Floor Broker to be in the crowd, may be agency or principal and are valid only during the regular trading session.

A Floor Broker may enter reserve orders at multiple price points, each with its own displayed amount. The aggregate amount of reserve orders at each price point is visible only to the Specialist, and reserve orders are included in an auction. The reserve size does not form part of the APQ. The displayed interest trades on parity with other orders at the bid or offer price. As a reserve order receives executions, the displayed size is replenished up to the maximum of the defined display size or the remainder of the order. The price point cannot be traded through until the reserve interest at the price has been exhausted.

### 13.2 Multiple Give Ups and Trade Allocation

Floor Brokers have the ability to break up orders they control and represent these orders as public or crowd orders. A single order may not be represented both as a public and a crowd order at the same time. Where an order has been sent to the AEMI book electronically, the returning trade is automatically allocated to the order with which it is associated. In several circumstances the Floor Broker may need to allocate trades to one or several orders.

#### Multiple Give Ups

If a Floor Broker is trading multiple orders for different clients simultaneously over the day, he may submit a single order into the AEMI book that represents part or all of several orders. At order entry, the Floor Broker chooses the method of allocation (even, FIFO, pro-rata) and the

returning trade is automatically allocated amongst the orders to which the multiple give-up order belonged.

### **Post-Trade Allocation**

If a Floor Broker has participated in an auction, he will receive a trade which needs to be allocated to one or more orders. He selects the orders and allocation method and has [20] seconds to complete the allocation before this allocation is deemed 'late'. A trade may only be allocated to an order whose original timestamp is prior to that of the trade. The process of allocating a trade to an order results in the client-side information being passed to AEMI and on to clearing.

### **13.3 Market Makers in the Crowd**

A Market Maker must be present in the crowd in order to quote. In order for a Market Maker to participate in auctions and to use the hit or take function, he must have an active quote in that security at the time of the trade; else he is not considered part of the crowd and is excluded from the process.

### **Establishment of Parity for Market Maker Quotes**

When a market is being re-established following a trade, a short window of time (crowd joining time) will allow Market Makers to establish quote parity. This relates only to the establishment of parity at the price and does not affect the execution speed or behavior of incoming order flow.

#### *Example*

A sell order hits the quotes at 6. Three Market Makers immediately input fresh quotes at 5 within the crowd election time set at [2] seconds. A fourth Market Maker joins the quote three seconds later. When the next sell order comes in, the first three Market Makers on the quote at 5 trade on parity. Following this trade, the fourth Market Maker is now on parity as the market is re-quoted at 5. Any incoming order will only interact with those quotes already at the price at the time of entry, irrespective of the window of parity.

## **14 Priority and Parity**

Orders resident in the AEMI book at a single price point receive executions based on their priority standing, which is based on a combination of source, execution instructions, time of entry, capacity, allocation indicator and instrument type. If the unfilled quantity of all orders and quotes at an individual price point cannot be filled, then parity allocation rules are applied.

### **14.1 Priority standing in the book**

Orders in the AEMI book are prioritized in terms of price, order capacity, execution qualifier, and time.

### **14.2 Parity**

At a single price point, parity and the size of the incoming order determines whether an individual order on the AEMI book participates in a trade. In order to be eligible for execution first, an order must be in-parity. Both public and crowd orders have in-parity and not-in-parity status. For reserve orders entered by Floor Brokers, only the visible size is considered for in-parity; the undisplayed size is considered as it replenishes the displayed size. Once in-parity crowd and public orders have been allocated executions, not-in-parity crowd and public orders are executed in time priority.

### **14.2.1 Establishing parity**

A new order entered is not in parity unless it is the only order at a price or it is entered within the crowd joining time” of [2] seconds, which permits parity to be established when a new market is established or following a trade. If a crowd order establishes the price, then the first execution occurs on a price/time priority basis. If a crowd order is submitted at a price point at which there is already an order present, the crowd order becomes in parity at the price after a trade at any price has occurred.

### **14.3 Execution Priority**

#### **Equities**

- i) In-parity
- ii) Not-in-parity, based on time priority
- iii) Replenished reserve size, parity allocated

#### **Equity Exceptions:**

When a public order is inserted outside the crowd election time, the Specialist yields to the public order and loses his in-parity state. He regains his in-parity state if the public order is cancelled or after it becomes in-parity following a trade.

When a public order is entered within the crowd election time, the Specialist still yields to the public order but remains in-parity.

#### **ETFs**

- i) In-parity agency orders
- ii) Not-in-parity agency orders, based on time
- iii) In-parity Specialist’s quote, based on the allocation table
- iv) In-parity principal orders
- v) Not-in-parity principal, based on time priority
- vi) Replenished reserve size of agency crowd orders
- vii) Replenished reserve size of principal crowd orders

#### **ETF Exception:**

The Specialist yields to the displayed size of agency public and agency crowd orders. Therefore his allocation is determined only once the displayed size of all agency orders are fulfilled, irrespective of whether he is in-parity or not.

### **14.3.1 The Difference between ETF and Equity Parity Allocation**

#### **Equities**

- Capacity is not considered.

#### **ETFs**

- Agency orders have priority over principal orders. The order capacity is considered and orders are prioritized based on capacity, and principal order allocation is performed only after the visible size of all agency orders is filled.
- Once the agency band is filled, the Specialist allocation is determined based on the Specialist allocation table, providing the Specialist’s quote is in-parity.
- Once the Specialist’s allocation is determined, the allocation for the band of principal orders and Market Maker quotes is addressed.

### **14.3.2 Allocation Method**

A crowd allocation methodology is used to determine the quantity to be allocated to crowd participants. Allocation tables based on number of crowd participants determines the percentage to be allocated to the crowd and public orders.

## **15 Away Market Obligations**

Under RegNMS, the visible size of all best automated quotes of all away markets is cleared in order to execute or print a trade at a worse price. This rule covers all equities and ETFs, and extends beyond exchanges and ECNs to broker dealers (i.e. members). Incoming orders to satisfy this rule may also be received from members and away markets.

Incoming orders are routed out automatically, if an away market with an automated quote is displaying a better price, unless price improvement is offered (see section Passive Price Improvement). Away markets may also need to be cleared by a Specialist's or Market Maker's quote moving through an automated away markets (where regulations so permit), or through the Hit or Take function.

Where a block print or quote move is several prices away from the best quote, then all better, automated, best quotes of away markets must be cleared in their visible size. If multiple prices need to be cleared, then an outbound inter-market sweep is generated. This comprises two or more IOC orders at different prices simultaneously. The 'sweep' qualifier on the order indicates to the receiving trading center that the IOC may be executed even though it is at an inferior price to the NBBO.

### **Linkages**

Away Market Obligations comprise orders and trades done via the Inter-Market Trading System (ITS) and via private linkages. Orders generated to satisfy regulatory requirements are sent and received through either means.

### **15.1 Pre-Opening Notifications (ITS only)**

In certain circumstances, the Specialist sends out a pre-opening notification via ITS, indicating that a security is expected to open at a certain range away from the close. Other markets may send in pre-opening Responses (i.e. orders) to participate in the opening.

### **15.2 Inbound ITS Commitments**

Regular inbound ITS commitments seek to execute a quantity at the market or at a specified price. The Amex trades the commitment providing it represents the automated NBBO, else rejects or expires it (only inter market sweeps will be executed outside the NBBO). Inbound commitments are limit or market orders, and have a time qualifier or IOC when auto-ex is enabled. When auto-ex is disabled, inbound ITS commitments with a delayed expiration may be received so that they may be included in the auction process.

Inbound ITS Commitments that have a time qualifier of Open are **ITS Pre-Opening Responses** (or ITS Admin Orders). They are treated as Market on Open or Limit on Open orders. They only exist in response to the Specialist publishing an indication or pre-opening notification and are entered manually by the Specialist.

### **15.3 Inbound Inter Market Sweep Orders (ISOs)**

Orders with a qualifier Inter Market Sweep may be received from ITS participants and non-ITS participants who are members (e.g. a broker dealer wants to print a block outside the current NBBO). Such orders are IOC and executed at the Amex irrespective of the prevailing NBBO. Incoming ISO orders will walk the book at Amex down to their limit price before expiring.

### **15.4 Outbound ITS Commitments**

Outbound ITS Commitments are generated automatically as part of the auto-ex process. Individual Commitments are sent to those away markets that display an automated quote at a better price than the Amex. When one or more price points at different automated markets outside the NBBO need to be cleared at a single time, then outbound ITS Commitments are flagged as Inter Market Sweeps. The designation of Inter Market Sweep permits the receiving market to execute the incoming order irrespective of whether that market is displaying the NBBO at the time of its receipt.

### **15.5 Regular Outbound Away Market Obligations**

For non-ITS destinations, regular limit orders are generated to clear away markets. When one or more price points at different automated markets outside the NBBO need to be cleared at a single time, then the orders generated simultaneously and flagged as Inter Market Sweeps. This allows the away market to trade the order irrespective of the prevailing NBBO.

### **15.6 Outbound away market obligations (automated)**

If the Amex receives a market or marketable limit order and a better, automated quote is available at an away market, an outbound commitment is sent out immediately, unless passive price improvement to match or better the away market is offered by the Specialist.

- The quantity of the order is the lesser of the quantity of the order, or the size of the destination quote.
- If multiple away markets are representing better, automated quotes in sizes less than the order, then multiple IOC away market obligations are generated simultaneously. Multiple markets representing the same, better price are addressed in the order of size, then time of quote.
- An outbound away market obligation for an order on the AEMI book locks the order to prevent duplicate execution, until the order is fully or partially traded away, or the commitment expires or is rejected.

### **15.7 Outbound away market obligations (manually generated)**

An away market obligation may be generated when a Floor Broker wishes to access an away market (manual quote).

### **15.8 Partial Fills & Rejected Obligations**

Only automated quotes are considered in the calculation of how many orders to send and where to send them. Where an outbound obligation represents an incoming order, this order is locked on the AEMI book and cannot be amended, cancelled, paired off or executed. Any balance is unlocked but every attempt is made not to lock the market.

- If a partial fill or a rejection is received and no better automated quotes exist, then the balance of the order is unlocked on the AEMI book without losing priority.

- If a partial fill or a rejection is received, and there are better, automated quotes at other markets, the balance of the order re-aggresses.
- If an outbound obligation is rejected, and another away market publishes a better quote before the balance can be unlocked, i.e. the NBBO has changed, the order re-aggresses.
- If the outbound obligation represents the whole order and is rejected, and all better markets have been targeted, then the balance of the order is unlocked.
- If an away market rejects an obligation due to the order's parameter (e.g. sell short tick sensitive order), and no better market is available, then this order is unlocked on the AEMI book.

## 16 Quoting

A Specialist's and a Market Maker's quotes may be streamed in from a proprietary application, generated automatically (auto quote) or entered manually within the system. Specialists must maintain a two-sided quote at all times during the regular trading session and are expected to maintain an automated quote, i.e. a quote that is immediately and automatically accessible. A Market Maker must maintain a two-sided quote in order to be eligible to participate in crowd trades.

### 16.1 Streaming Quotes

Specialists and Market Makers may stream in quotes to the AEMI book from their proprietary systems through an API. The Specialist or Market Maker is responsible for ensuring that quote obligations are fulfilled at all times. If quotes are streamed in, auto quote and emergency quote features, as well as quote-related spread parameters, are disabled. Amex validates quotes on receipt ensure that the security is valid and that the quote is not locked or crossed. Specialists and Market Makers may optionally stream in multiple quotes (one quote per price point) to add resident liquidity at up to four levels outside their best quote.

### 16.2 Auto Quote

Auto quotes are quotes automatically generated on behalf of a Specialist or Market Maker, based on user-specified underlying market data and a set of configurable parameters relating to size, ticks and quote basis. Specialists may peg their bid or offer to the NBBO; Market Makers may peg their best bid or offer to the NBBO, APQ or IOPV (Intra-day Optimized Portfolio Value). If the price to which the quote is pegged changes, then a fresh auto quote is generated based on the pegged price and the Specialist or Market Maker's size.

### 16.3 Manual quotes

The Specialist or Market Maker may enter manual quotes at any time. If the user is auto-quoting or streaming in quotes, a manually entered quote will override the best existing quote. The next auto quote or streamed quote will then override the manually entered quote.

### 16.4 Emergency Quotes

If a Specialist is manually quoting or auto quoting, and his mandatory quote is reduced to or below a configured size, a new quote is automatically generated in order to ensure continuity of price. This feature is disabled if quotes are streamed in. Emergency quotes that are generated as a result of incoming order flow sweeping the AEMI book are injected into the sweep (if appropriately priced) so that the incoming order may receive price improvement.

### **16.5 Stabilizing Quote**

When auto-ex is disabled due to a breach of the spread or momentum tolerance, and no orders are left on the contra side, a stabilizing quote is generated automatically, so that a two-sided manual quote is published. The unexecuted size of the aggressing order is displayed at the prevailing NBB or NBO, and the contra side displays 100 shares at a price of one tick away from the last trade as a slow quote.

### **16.6 Gapping the Quote**

Gapping the quote is described in the section on Auctions and occurs when:

- An incoming order has disabled auto-ex, and the Specialist deems the imbalance large enough to warrant a gapped quote, or
- When an order has been walked into the crowd by a Floor Broker and would breach the tolerance if entered electronically.

### **16.7 Indications (equities)**

The Specialist generates a two-sided indication during the Pre-opening and Re-Opening sessions if his regulatory obligations require it. Indications have prices but no size.

### **16.8 Indicative Quotes (Nasdaq stocks)**

Specialists may generate a two-sided indicative quote during the Pre-Opening session for stocks covered by Amex's Nasdaq UTP program. These indicative quotes have both a price and a size.

## **17 Passive Price Improvement**

Passive Price Improvement (PPI) is available for all Specialists and Market Makers and permits price improvement to be offered to incoming agency orders, as determined by the designated account type on the incoming order. A Specialist or Market Maker may enter a single, undisplayed order per side. This PPI order must be inside the Amex Published Quote, and is only permitted if the user has at least one quote for that side in the book. A PPI order does not form part of the APQ. A PPI order is only visible to the entering Specialist or Market Maker, or to the firm or group to which he belongs. PPI orders may only reside inside the APQ; if the APQ moves such that a PPI order locks or crosses the APQ, the PPI order is cancelled.

PPI orders must provide meaningful price improvement. This is determined according to a table of minimum price increments relative to the Amex published quote spread at the time of the trade. Further, in order for a PPI order to be valid, its owner's quote for that side must be within [2] ticks of the Amex best bid/offer at the time of trade, otherwise the PPI order is ignored.

<b>AMEX Quote Spread</b>	<b>Minimum Price Increment</b>
2 to 5 increments	2 increments
5 or more increments	3 increments

PPI orders at the same price are executed in strict price/time priority and may be partially filled. If there are multiple PPI orders at the same price point, the Specialist's PPI takes priority. PPI orders do not participate in negotiated trades and they are ignored when auto-ex is disabled.

## 18 Floor Official Approval

Where Floor Official approval is required during the trading session, the user is prompted and prevented from proceeding until approval is granted.

## 19 Order, Trade & Position Management

All participants have online access to the current status and intra-day history and details of their quotes, orders and trades within a single day.

Specialists also see details of:

- Quotes
- All orders
- Auto-executed trades
- Auction trades
- Give-up details on trades

Market makers see details of:

- Quotes
- Their own trades

Floor Brokers see details of:

- Orders
- Trades

## 20 Position Management

Specialists and Market Makers require visibility over real-time net position, P&L information on an individual security and consolidated basis. This information comprises:

- Market Value Indicator
- Opening and current net position
- Opening and current average cost per share
- Market value per share
- P&L on his position
- VWAP

The user may also set up a limited amount of alerts based on one or more of the following:

- Security
- Net position
- Average cost per share
- Market value per share
- P&L
- Consolidated P&L

## 21 Trade Reporting

An orders or quote that result in an execution will generate

- A **Tape Print** for each price at which an incoming order was executed. Trades resulting from outbound away market obligations are not reported to the tape by Amex.
- **Trade Capture Reports**, submitted comparison to IDCE. These comprise information from the order and trade required in order for the trade to be compared and cleared.

- **Execution Reports**, issued to the participant or order's owner. One execution report is generated per price point on an order.

## 22 Market Data

The Amex publishes data both internally and externally. Market-wide information relating to an individual security is presented in any front end supplied by the Amex as an integrated display. The trading status of any security must be visible at all times (i.e. trading or halted).

### 22.1 Amex Quote (APQ)

The Amex quote for each security is published during the Regular Trading Session. It comprises eligible orders and quotes for regular settlement in the AEMI book and is calculated and published on a per-event basis. Orders excluded from the quote include odd lots, unelected orders, reserve size of crowd reserve orders, and orders with certain time qualifiers (e.g. MOC). Each side of each quote has a manual or automated indicator, which indicates whether the quote is automatically and immediately accessible, or whether automated execution is not available.

#### **Suspension of the quote**

In the event of auto-ex being disabled, the updating of the Amex quote is suspended following the publication of a manual quote.

#### **Unusual Market Condition**

The Amex may process and issue an “unusual fast market” condition, which will automatically switch the quote condition to manual, but is required due to the change in the Specialists’ firm quote obligations. The “unusual fast market” condition is both set (with Floor Official approval) and revoked by the Service Desk.

### 22.2 NBBO

The NBBO is computed internally for all Equity and ETF securities and used in a variety of instances, including display alongside the Specialist’s book and in order to determine away market routing requirements. All quotes, manual and automatic, are included in the establishment of the NBBO, irrespective of size. If the NBBO comprises one or both sides that are manual quotes only, this should be made evident in the display. Where system failure, material delay or malfunction is detected in an away market’s automated quote, the quote is excluded from the market data displays and outbound routing requirements.

### 22.3 Last Trade

The Amex is required to publish the last trade and closing prices and sizes for the Amex and the consolidated market. At the beginning of the trading day, the Last Trade is the price at which the final trade of the previous day took place, or the previous day’s closing price adjusted for corporate actions. During the day, the last trade is continually published. All trades that occur at the Amex are last sale eligible except for odd lots, outbound away market obligations, non-regular way trades, and sold-sale trades.

The Amex also publishes Amex trade volume continually throughout the regular trading session. At the end of the day, the Amex publishes the closing price, which is the price at which the last trade is performed, and the closing quantity, which is the aggregated quantity executed in the closing pair-off. The Amex also publishes the consolidated closing trade, comprising the closing price and quantity of the last trade at any marketplace in the NMS (including the Amex) at the

end of the closing session. For UTP securities, the consolidated closing price is the last reported trade prior to 4:01:30pm.

#### **22.4 Market Montage**

The Amex will make available to floor participants a market-wide depth of book when published. This includes the best price, size, exchange and tick for the bid and offer for full depth of book, where available. Where full book is unavailable, the best bid and offer of each market will be used. Access to sweep at multiple best-price points is supplied; participants who wish to sweep depth of book across multiple centers must provide their own means of access. If an away market security is halted or delayed, it will be designated as such.

#### **22.5 Cumulative Trading Data**

The Amex will publish cumulative trading information throughout the day in real time. This data is available to all subscribers through Amex proprietary feeds and published to the Amex public website:

- Number of trades for the current day and last 52 weeks
- Share volume today
- Trade volume today

This information is published both at an individual security level, and at an aggregate level of security type, i.e. Amex-listed equity, UTP, ETF, etc.).

## **23 Revision History**

<b>Date</b>	<b>Version</b>	<b>Paragraph</b>	<b>Description</b>
Jan 2006	1.7	9.2, 10.5	Removal of non-regular way trade functionality.
		11.3	The imbalance side of the manual quote will comprise the best bid/offer on the side of the order that is creating the imbalance.
		12.1	The Specialist has 3 minutes to complete the crowd allocation process following an auction.
		12.2-12.4	Separation of negotiated trades and auctions when auto-ex is on. Adjustment for publication of manual quotations.
		15.7	Reworded for clarification.
		13.4	Replacement of section on Hit or Take by a new section 10.4
		15.3	ISO orders will walk the book
		16.2	Removal of the ability for a Market Maker to peg a bid or offer to the Specialist's quote.
		17	Increase the Amex quote spread from 2-4 to 2-5 increments for the first level.

