

**Amendment to Options Order Protection And Locked/Crossed Market Plan**

**Underlined language indicates additions; [brackets] indicate deletions**

OPTIONS ORDER PROTECTION AND LOCKED/CROSSED MARKET PLAN

## **Section 1 – Preamble**

The Participants submit to the SEC this Plan providing a framework for order protection and addressing Locked and Crossed Markets in Eligible Options Classes. The purpose of the Plan is to enable the Participants to act jointly in establishing a framework for providing order protection and addressing Locked and Crossed Markets in Eligible Options Classes. In addition, the Plan provides for a non-exclusive method for achieving order protection and addressing Locked and Crossed Markets. The Participants will submit to the SEC for approval their respective rules that will implement the framework of the Plan. The Participants request that the SEC issue an order pursuant to Section 11A(a)(3)(B) of the Exchange Act and Rule 608 thereunder evidencing its approval of the Plan.

## **Section 2 - Definitions**

- 1) "Best Bid" and "Best Offer" mean the highest priced Bid and the lowest priced Offer.
- 2) "Bid" or "Offer" means the bid price or the offer price communicated by a member of an Eligible Exchange to any Broker/Dealer, or to any customer, at which it is willing to buy or sell, as either principal or agent, but shall not include indications of interest.
- 3) "Broker/Dealer" means an individual or organization registered with the SEC in accordance with Section 15(b)(1) of the Exchange Act or a foreign broker or dealer exempt from such registration pursuant to Rule 15a-6 under the Exchange Act.
- 4) "Crossed Market" means a quoted market in which a Protected Bid is higher than a Protected Offer in a series of an Eligible Class.
- 5) "Customer" means an individual or organization that is not a Broker/Dealer.
- 6) "Eligible Exchange" means a national securities exchange registered with the SEC in accordance with Section 6(a) of the Exchange Act that: (a) is a Participant Exchange in OCC (as that term is defined in Section VII of the OCC by-laws); (b) is a party to the OPRA Plan (as that term is described in Section I of the OPRA Plan); and (c) if the national securities exchange chooses not to become a party to this Plan, is a participant in another plan approved by the Commission providing for comparable Trade-Through and Locked and Crossed Market protection.
- 7) "Eligible Options Class" means all option series overlying a security (as that term is defined in Section 3(a)(10) of the Exchange Act) or group of securities, including both put options and call options, which class is available for trading on two or more Eligible Exchange.
- 8) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- 9) "Intermarket Sweep Order (ISO)" means a limit order for an options series that meets the following requirements:
  - (a) When routed to an Eligible Exchange, the order is identified as an ISO;
  - (b) Simultaneously with the routing of the order, one or more additional ISOs, as necessary, are routed to execute against the full displayed size of any Protected Bid, in the case of a limit

order to sell, or any Protected Offer, in the case of a limit order to buy, for the options series with a price that is superior to the limit price of the ISO, with such additional orders also marked as ISOs.

- 10) "Locked Market" means a quoted market in which a Protected Bid is equal to a Protected Offer in a series of an Eligible Options Class.
- 11) "Non-Firm" means, with respect to Quotations in an Eligible Options Class, that members of a Participant are relieved of their obligations under that Participant's firm quote rule in that Eligible Options Class.
- 12) "OCC" means The Options Clearing Corporation.
- 13) "OPRA" means the Options Price Reporting Authority.
- 14) "OPRA Plan" means the plan filed with the SEC pursuant to Section 11Aa(1)(C)(iii) of the Exchange Act, approved by the SEC and declared effective as of January 22, 1976, as from time to time amended.
- 15) "Participant" means an Eligible Exchange whose participation in the Plan has become effective pursuant to Section 3(c) of the Plan.
- 16) "Plan" means the plan amended and restated in this instrument as from time to time amended in accordance with its provisions.
- 17) "Protected Bid" or "Protected Offer" means a Bid or Offer in an options series, respectively, that:
  - a. Is displayed by an Eligible Exchange;
  - b. Is disseminated pursuant to the OPRA Plan; and
  - c. Is the Best Bid or Best Offer, respectively, of an Eligible Exchange.
- 18) "Protected Quotation" means a Protected Bid or Protected Offer.
- 19) "Quotation" means a Bid or Offer.
- 20) "SEC" means the United States Securities and Exchange Commission.

21) "Trade-Through" means a transaction in an options series, either as principal or agent, at a price that is lower than a Protected Bid or higher than a Protected Offer.

### **Section 3 – Parties to the Plan**

#### **(a) List of Parties**

The parties to the Plan are as follows:

BATS Exchange, Inc., registered as a national securities exchange under the Exchange Act and having its principal place of business at 8050 Marshall Dr., Suite 120, Lenexa, KS 66214.

Boston Stock Exchange, Inc., registered as a national securities exchange under the Exchange Act and having its principal place of business at 100 Franklin Street, Boston, Massachusetts 02110.

BOX Options Exchange LLC, a registered as a national securities exchange under the Exchange Act and having its principal place of business at 101 Arch Street, Ste. 610, Boston, MA 020110.

C2 Options Exchange, Incorporated, registered as a national securities exchange under the Exchange Act and having its principal place of business at 400 South LaSalle Street, Chicago, Illinois, 60605.

Chicago Board Options Exchange, Incorporated, registered as a national securities exchange under the Exchange Act and having its principal place of business at 400 South LaSalle Street, Chicago, Illinois 60605.

International Securities Exchange, LLC, registered as a national securities exchange under the Exchange Act and having its principal place of business at 60 Broad Street, New York, New York 10004.

The NASDAQ Stock Market LLC, registered as a national securities exchange under the Exchange Act and having its principal place of business at One Liberty Plaza, 50<sup>th</sup> Floor, New York, New York 10006.

NASDAQ OMX PHLX, Inc., registered as a national securities exchange under the Exchange Act and having its principal place of business at 1900 Market Street, Philadelphia, Pennsylvania 19103.

NYSE Alternext US LLC, registered as a national securities exchange under the Exchange Act and having its principal place of business at 11 Wall Street, New York, NY 10005.

NYSE Arca, Inc., registered as a national securities exchange under the Exchange Act and having its principal place of business at 100 South Wacker Drive, Suite 1800, Chicago, IL 60606.

(b) Compliance Undertaking

By subscribing to and submitting the Plan for filing with the SEC, each Participant agrees to enforce compliance by its members with the provisions of the Plan.

(c) Entry of New Participants

The Participants agree that any other Eligible Exchange may become a Participant by: (i) executing a copy of the Plan, as then in effect; (ii) providing each then-current Participant with a copy of such executed Plan; and (iii) effecting an amendment to the Plan as specified in Section 4(b) of the Plan.

(d) Withdrawal from the Plan

Any Participant may withdraw from the Plan at any time by: (i) providing not less than 30 days' prior written notice to each of the other Participants of such intent to withdraw; and (ii) effecting an amendment to the Plan as specified in Section 4(c) of the Plan. Upon the effectiveness of such withdrawal the withdrawing Participant shall have no further rights or obligations whatsoever under the Plan.

## **Section 4 – Amendments to the Plan**

### **(a) General Amendment Authority**

Except with respect to:

- (i) the addition of new Participants to the Plan; and
- (ii) the withdrawal of a Plan Participant,

any proposed change in, addition to, or deletion from the Plan may be effected only by means of a written amendment to the Plan that is unanimously approved by the Participants and that: (A) sets forth the change, addition or deletion; (B) is executed on behalf of each Participant; and (C) is approved by the SEC or otherwise becomes effective pursuant to Section 11A of the Exchange Act and Rule 608 thereunder.

### **(b) New Participants**

With respect to new Participants, an amendment to the Plan may be effected by a new Eligible Exchange executing a copy of the Plan, as then in effect (with the only change being the addition of the new Participant's name in Section 3(a) of the Plan), and submitting such executed Plan to the SEC. Such amendment will be effective when the amendment is approved by the SEC or otherwise becomes effective pursuant to Section 11A of the Exchange Act and Rule 608 thereunder.

### **(c) Withdrawal from the Plan**

A Participant seeking to withdraw from the Plan shall effect an amendment to the Plan as then in effect (with the only change being the deletion of the Participant's name in Section 3(a) of the Plan) by submitting such amended Plan to the SEC for approval. In submitting the amended Plan to the SEC, the Participant proposing to withdraw from the Plan shall state how the Participant plans to accomplish, by alternate means, the goal of the Plan regarding limiting Trade-Throughs of prices on other exchanges trading the same options classes. Such withdrawal from the Plan shall be effective when the amendment is approved by the SEC or otherwise becomes effective pursuant to Section 11A of the Exchange Act and Rule 608 thereunder.



## **Section 5 – Order Protection**

### (a) Order Protection

(i) Prevention of Trade-Throughs. Each Participant agrees that it shall establish, maintain and enforce written policies and procedures that are reasonably designed to prevent Trade-Throughs in that Participant's market in Eligible Options Classes that do not fall within an exception set forth in paragraph (b) below, and, if relying on such exception, that are reasonably designed to assure compliance with the terms of the exception.

(ii) Surveillance. Each Participant agrees to conduct surveillance of its market on a regular basis to ascertain the effectiveness of the policies and procedures required by paragraph (a)(1) of this section, and to take prompt action to remedy deficiencies in such policies and procedures.

### (b) Exceptions.

(i) The transaction that constituted the Trade-Through was effected when the Eligible Exchange displaying the Protected Quotation that was traded through was experiencing a failure, material delay, or malfunction in its systems or equipment;

(ii) The transaction traded through a Protected Quotation being disseminated by an Eligible Exchange during a trading rotation;

(iii) The transaction that constituted the Trade-Through occurred when there was a Crossed Market;

(iv) The transaction that constituted the Trade-Through was the execution of an order identified as an Intermarket Sweep Order;

(v) The transaction that constituted the Trade-Through was effected by a Participant that simultaneously routed an Intermarket Sweep Order to execute against the full displayed size of any Protected Quotation that was traded through;

(vi) The Eligible Exchange displaying the Protected Quotation that was traded through had displayed, within one second prior to execution of the Trade-Through, a Best bid or Best offer, as applicable, for the options series with a price that was equal or inferior to the price of the Trade-Through transaction;

- (vii) The Protected Quotation traded through was being disseminated from an Eligible Exchange whose Quotations were Non-Firm with respect to such options series;
- (viii) The transaction that constituted the Trade-Through was effected as a portion of a "complex trade," as defined in the rules of a Participant;
- (ix) The transaction that constituted the Trade-Through was the execution by a Participant of an order for which, at the time of receipt of the order, a member of the Participant had guaranteed an execution at no worse than a specified price (a "stopped order"), where:
  - (A) the stopped order was for the account of a Customer;
  - (B) the Customer agreed to the specified price on an order-by-order basis; and
  - (C) the price of the Trade-Through was, for a stopped buy order, lower than the national Best Bid in the options series at the time of execution, or, for a stopped sell order, higher than the national Best Offer in the options series at the time of execution;
- (x) The transaction that constituted the Trade-Through was the execution by a Participant of an order which was stopped at a price that did not Trade-Through another Eligible Exchange at the time of the stop; or
- (xi) The transaction that constituted the Trade-Through was the execution of an order at a price that was not based, directly or indirectly, on the quoted price of the options series at the time of execution and for which the material terms were not reasonably determinable at the time the commitment to execute the order was made.

(c) Intermarket Sweep Orders. Participants shall take reasonable steps to establish that Intermarket Sweep Orders meet the requirements of Section 2(9) of the Plan.

## **Section 6 – Locked and Crossed Markets**

The Participants agree that they shall establish, maintain and enforce written rules that:

- (a) Require their members reasonably to avoid displaying Locked and Crossed Markets;
- (b) Are reasonably designed to assure the reconciliation of Locked and Crossed Markets; and
- (c) Prohibit its members from engaging in a pattern or practice of displaying Locked and Crossed Markets;

in all cases subject to such exceptions as may be contained in the rules of a Participant approved by the Commission.

**Section 7 – Implementation**

The Parties shall implement this Plan on a date upon which all Parties agree, but no later than August 31, 2009; provided that, unless the SEC otherwise authorizes, the Parties shall not implement this Plan unless all Eligible Exchanges have become parties to this Plan and the SEC has approved all necessary implementing rules.

**Section 8 – Counterparts and Signatures**

The Plan may be executed in any number of counterparts, no one of which need contain all signatures of all Participants, and as many of such counterparts as shall together contain all such signatures shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Plan has been executed as of the 3<sup>rd</sup> of May [2009] 2012 by each of the parties hereto.

BATS EXCHANGE, INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_

BOX OPTIONS EXCHANGE LLC

By: BJ Falk

Date: May 3, 2012

C2 OPTIONS EXCHANGE, INCORPORATED

By: \_\_\_\_\_

Date: \_\_\_\_\_

CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED

By: \_\_\_\_\_

Date: \_\_\_\_\_

INTERNATIONAL SECURITIES EXCHANGE, LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

The NASDAQ Stock Market LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

NASDAQ OMX BX, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

NASDAQ OMX PHLX, Inc.

By: \_\_\_\_\_

Date: \_\_\_\_\_

NYSE AMEX LLC

By: \_\_\_\_\_

Date: \_\_\_\_\_

NYSE ARCA, INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_