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Direct Edge Regulatory Notice #12-01: Market Making Rules and Obligations

Introduction

This Regulatory Notice (the "Notice") serves to inform Members of EDGA Exchange and EDGX Exchange (together, the "Exchanges") that the Exchanges' rule filings on market making were approved by the Securities and Exchange Commission.ⁱ

In particular, Chapter XI of the Exchanges' rules (the "Rules") was amended to add Rules 11.18, 11.19, 11.20 and 11.21 regarding the registration and obligations of Members who wish to become market makers ("Market Makers"). The Exchanges also amended Rules 1.5 to add definitions of "Market Maker" and "Market Maker Authorized Trader". In addition, the Exchanges amended Rules 8.15, Interpretation .01 to add violations of Rules 11.21(a)(1) to the list of violations eligible for disposition under the Exchanges' Minor Rule Violation Plans. Finally, the Exchanges amended Rules 14.1, entitled "Unlisted Trading Privileges", to restrict certain trading activities of Market Makers and impose a series of reporting and record-keeping requirements.

These Rule changes become effective on **Tuesday, January 17, 2012**. The purpose of this Notice is to inform Market Makers of their obligations under the new Rules (see attached [Addendum I](#)).

Registration as a Market Maker

Registration as a Market Maker is purely optional. Rule 11.18 contains the process for registration and provides that an applicant must submit to the Exchanges' Member Services department ("Member Services") a completed [Market Maker Registration Application](#), its most recent quarterly FOCUS report and most recent annual audited financial statement. The applicant must also update the Financial Industry Regulatory Authority's ("FINRA") Web CRD® ("Web CRD®") for registration of at least one Market Maker Authorized Trader ("MMAT").ⁱⁱ

General Obligations of Registered Market Makers

Once registered, and pursuant to Rules 11.21, the responsibilities of a Market Maker include, but are not limited to, the following: (i) remaining in good standing with the Exchanges and in compliance with all applicable rules of the Exchanges; (ii) informing the Exchanges of any material change in financial or

operational condition or personnel by concurrently sending a copy to the Exchanges of a notice sent to the SEC pursuant to Rule 17a-11 under the Securities Exchange Act of 1934; (iii) maintaining a current list of MMATs and providing any updates to the Exchanges upon any change in MMATs; and clearing and settling transactions through the facilities of a registered clearing agency. A Market Maker will also be responsible for the acts and omissions of its MMATs and, notably, MMATs are only permitted to enter orders for the account(s) of the Market Maker for which they are registered.

Specific Obligations of Registered Market Makers

I. Maintaining Continuous, Two-Sided Quotations

Pursuant to Rules 11.21(d), a Market Maker registered with the Exchanges must maintain continuous, two-sided quotations with a displayed quotation size of at least one normal unit of trading (100 shares) or a larger multiple thereof. Following an execution against its quotations, a Market Maker must immediately refresh its quotations.

Market Maker quotations must be within a designated percentage of the National Best Bid (“NBB”) and National Best Offer (“NBO”, and together with the NBB, the “NBBO”) or, if there is no NBB or NBO, the last reported sale. This requirement is intended to eliminate executions against Market Maker quotations priced far away from the inside market, commonly known as stub quotes. They are also intended to augment and work in conjunction with the single stock pause standards for all National Market System (“NMS”) securities.

For symbols subject to an individual stock trading pause trigger under the applicable rules of a primary listing market, permissible quotes are as follows: (i) a Market Maker’s quotes in the Original Circuit Breaker Securitiesⁱⁱⁱ shall not be more than 8% away from the NBBO; (ii) a Market Maker’s quotes in NMS securities that are not Original Circuit Breaker Securities with a price equal to or greater than \$1 shall not be more than 28% away from the NBBO; and (iii) a Market Maker’s quotes in NMS securities that are not Original Circuit Breaker Securities with a price less than \$1 shall not be more than 30% away from the NBBO. For times during Regular Trading Hours^{iv} when stock pause triggers are not in effect under the rules of the primary listing market (e.g., before 9:45 a.m. and after 3:35 p.m. ET), the designated percentage shall be 20% for Original Circuit Breaker Securities, 28% for all NMS securities that are not Original Circuit Breaker Securities with a price equal to or greater than \$1 and 30% for all NMS securities that are not Original Circuit Breaker Securities with a price less than \$1.

Once a permissible quote is entered by a Market Maker, it may rest without adjustment until such time as it moves to within 9.5% away from the NBBO for Original Circuit Breaker Securities, 29.5% away from the NBBO for NMS securities that are not Original Circuit Breaker Securities with a price equal to or greater than \$1 and 31.5% away from the NBBO for all NMS securities that are not Original Circuit Breaker Securities with a price less than \$1, whereupon the Market Maker must immediately adjust its quote to at least the permissible default level of 8%, 28%, or 30%, respectively, away from the NBBO.

In the absence of a NBB or NBO, the above calculations will remain the same but will use the national last sale instead of the absent bid or offer. The above designated percentages and defined limits are illustrated in the following table:

Stock Pause Triggers	Security Type	Designated Percentage	Defined Limit
Regular Trading Hours when stock pause triggers are in effect under the rules of the primary listing market (i.e., between 9:45 a.m. and 3:35 p.m. ET)	Original Circuit Breaker Securities	8%	9.5%
	Other NMS securities, priced equal to or greater than \$1	28%	29.5%
	Other NMS securities, priced less than \$1	30%	31.5%
Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market (i.e., prior to 9:45 a.m. and after 3:35 p.m. ET)	Original Circuit Breaker Securities	20%	21.5%
	Other NMS securities, priced equal to or greater than \$1	28%	29.5%
	Other NMS securities, priced less than \$1	30%	31.5%

II. Pricing Differentials

Scenarios may occur in which pricing at the commencement of a trading day, or at the re-opening of trading in a security that has been halted, suspended or paused, is significantly different from pricing for the security at the close of the previous trading day or immediately prior to the halt, suspension or pause, respectively. The Exchanges do not subject its registered Market Makers to the pricing obligations, as described above, when the last sale of the previous trading day, or immediately prior to a halt, is the only available NBBO.

As such, for NMS stocks, a Market Maker shall adhere to the pricing obligations established above during Regular Trading Hours, provided that such pricing obligations: (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security, as reported by the responsible single plan processor (the "SIP") and (ii) shall be suspended during a trading halt, suspension or pause, and shall not recommence until after the first regular-way transaction on the primary listing market in the security following such halt, suspension or pause, as reported by the SIP. Nothing in the above, however, precludes a Market Maker from voluntarily quoting at price levels that are closer to the NBBO than are required by the Exchanges.

III. Minor Violation(s) of Rules

The Exchanges amended Rules 8.15, entitled “Imposition of Fines for Minor Violation(s) of Rules”, to add Rules 11.21(a)(1) to the list of rules appropriate for disposition under the Exchanges’ Minor Rule Violation Plans. This addition allows the Exchanges to impose a \$100 fine for each violation of the Rules.

IV. Restricted Market Makers

The Exchanges also amended Rules 14.1, entitled “Unlisted Trading Privileges”, to restrict certain trading activities of Market Makers and impose a series of reporting and record-keeping requirements. Amended Rules 14.1(c)(5) impose restrictions on any Market Maker registered in a derivative securities product (each, a “UTP Derivative Security”) that derives its value from one or more currencies or commodities, or from a derivative overlying one or more currencies or commodities, or is based on a basket or index comprised of currencies or commodities (collectively, “Reference Assets”). Such Market Makers are known as Restricted Market Makers and are prohibited from acting or registering as a Market Maker on any other exchange in any Reference Asset of that UTP Derivative Security or any derivative instrument based on a Reference Asset of that UTP Derivative Security (collectively, with Reference Assets, “Related Instruments”).

A Restricted Market Maker shall provide Member Services via email at memberservices@directedge.com, and keep current a list identifying any accounts (“Related Instrument Trading Accounts”) in or for which Related Instruments are traded (i) in which the Restricted Market Maker holds an interest; (ii) over which it has investment discretion; or (iii) in which it shares in the profits and/or losses. In addition, a Restricted Market Maker may not have an interest in, exercise investment discretion over, or share in the profits and/or losses of a Related Instrument Trading Account that has not been reported to the Exchanges. A Restricted Market Maker shall also, upon request by the Exchanges, make available to the Exchanges any books, records or other information pertaining to any Related Instrument Trading Account or to the account of any registered or non-registered employee affiliated with the Restricted Market Maker in or for which Related Instruments are traded. Finally, a Restricted Market Maker shall not use any material, non-public information in connection with trading a Related Instrument.

Suspension, Termination and Withdrawal

I. Suspension, Termination and Withdrawal of a Market Maker

Rules 11.18 provide that the registration of a Market Maker may be suspended or terminated if the Exchanges determine that the Market Maker: (i) has substantially or continually failed to engage in dealings in accordance with Rules of the Exchanges; (ii) has failed to meet the minimum net capital conditions^v; (iii) has failed to maintain fair and orderly markets; or (iv) does not have at least one registered MMAT qualified to perform market making activities as set forth in Rules 11.19(b)(5).

After a Market Maker has been registered, it may voluntarily withdraw its registration by contacting

Member Services. However, the Exchanges may: (i) require certain minimum notice for withdrawal or place other conditions on withdrawal, as determined and communicated by the Exchanges to the Market Maker, or (ii) require re-registration following a withdrawal, as it deems appropriate to maintain fair and orderly markets. If a Member wishes to re-register as a Market Maker after it has already been de-registered, it will have to repeat each of the steps required during the initial application process.

II. Suspension and Withdrawal of an MMAT

Under Rules 11.19, the Exchanges may suspend or terminate the registration of a MMAT if it determines that the person has: (i) caused the Market Maker to fail to comply with the federal securities laws or rules thereunder or Rules of the Exchanges; (ii) failed to properly perform his or her regulatory responsibilities, as discussed below, properly; or (iii) failed to maintain fair and orderly markets. If a MMAT is suspended or terminated, the Market Maker may not allow the MMAT to continue to submit orders to the Exchanges in the capacity of a MMAT. A Member may also voluntarily withdraw the registration of a MMAT by submitting to the Exchanges, via Web CRD®, an updated Form U-4 reflecting the same.

More Information

- All questions regarding this Notice should be directed to [Direct Edge Member Services](#) at 201.942.8220, option #3.
- [Addendum 1](#)
- [EDGA Exchange Rules](#)
- [EDGX Exchange Rules](#)

ⁱSee Securities Exchange Act Release No. 65964 (December 15, 2011), 76 FR 79254 (SR-EDGA-2011-29; SR-EDGX-2011-28).

ⁱⁱSee [Direct Edge Information Circular 2011-05](#)

ⁱⁱⁱThe term “Original Circuit Breaker Securities” means securities subject to an individual stock pause trigger under the applicable rules of a primary listing market.

^{iv}The term “Regular Trading Hours” means the time between 9:30 a.m. and 4:00 p.m. ET.

^v17 C.F.R. § 240.15c3-1.

Addendum I

Exhibit 5

Additions: Underlined

Deletions: [Bracketed]

EDGA / EDGX

Rule 1.5. Definitions (No change in text.)

(a) – (k) (No change in text.)

(l) Market Maker

The term “Market Maker” shall mean a Member that acts as a Market Maker pursuant to Chapter XI.

(m) Market Maker Authorized Trader

The term “Market Maker Authorized Trader” or “MMAT” shall mean an authorized trader who performs market making activities pursuant to Chapter XI on behalf of a Market Maker.

[(l)] (n) Member

(No change in text.)

[(m)] (o) NBB, NBO and NBBO

(No change in text.)

[(n)] (p) Person

(No change in text.)

[(o)] (q) Person Associated with a Member

(No change in text.)

[(p)] (r) Post-Closing Session

(No change in text.)

[(q)] (s) Pre-Opening Session

(No change in text.)

[(r)] (t) Principal

(No change in text.)

[(s)] (u) Protected NBB, Protected NBO and Protected NBBO

(No change in text.)

[(t)] (v) Protected Bid, Protected Offer and Protected Quotation

(No change in text.)

[(u)] (w) Qualified Clearing Agency

(No change in text.)

[(v)] (x) Registered Broker or Dealer

(No change in text.)

[(w)] (y) Regular Trading Hours

(No change in text.)

[(x)] (z) Sponsored Participant

(No change in text.)

[(y)] (aa) Sponsoring Member

(No change in text.)

[(z)] (bb) Statutory Disqualification

(No change in text.)

[(aa)] (cc) System

(No change in text.)

[(bb)] (dd) Top of Book

(No change in text.)

[(cc)] (ee) User

(No change in text.)

[(dd)] (ff) UTP Security

(No change in text.)

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Rule 8.15. Imposition of Fines for Minor Violation(s) of Rules

(a) – (e) (No change in text.)

Interpretations and Policies

.01 List of Exchange Rule Violations and Recommended Fine Schedule Pursuant to Rule

8.15: (No change in text.)

(a) – (f) (No change in text.)

Recommended Fine Amount for 8.15.01(g)-(h) : \$100 per violation

(g) (No change in text.)

(h) Rule 11.21(a)(1) requirement for Market Makers to maintain continuous, two-sided quotations

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Rule 11.17 (Reserved)

Rule 11.18. Registration of Market Makers

(a) An applicant for registration as a Market Maker shall file an application in writing on such form as the Exchange may prescribe. Applications shall be reviewed by the Exchange, which shall consider such factors including, but not limited to, capital, operations, personnel, technical resources and disciplinary history. Each Market Maker must have and maintain minimum net capital of at least the amount required under Rule 15c3-1 under the Exchange Act.

(b) An applicant's registration as a Market Maker shall become effective upon receipt by the Member of notice of an approval of registration by the Exchange.

(c) The registration of a Market Maker may be suspended or terminated by the Exchange if the Exchange determines that:

(1) The Market Maker has substantially or continually failed to engage in dealings in accordance with Rule 11.21 or elsewhere in these Rules;

(2) The Market Maker has failed to meet the minimum net capital conditions set forth under paragraph (a) above;

(3) The Market Maker has failed to maintain fair and orderly markets; or

(4) The Market Maker does not have at least one registered Market Maker Authorized Trader ("MMAT") qualified to perform market making activities as set forth in Rule 11.19(b)(5). A MMAT whose registration is suspended pursuant to this paragraph (c) shall not be deemed qualified within the meaning of this subsection.

(d) Any registered Market Maker may withdraw its registration by giving written notice to the Exchange. The Exchange may require a certain minimum prior notice period for withdrawal, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interest of maintaining fair and orderly markets.

(e) Any person aggrieved by any determination under this Rule 11.18 or Rules 11.19 or 11.20 below may seek review under Chapter X of Exchange Rules governing adverse action.

(f) Registered Market Makers are designated as dealers on the Exchange for all purposes under the Exchange Act and the rules and regulations thereunder.

Rule 11.19. Obligations of Market Maker Authorized Traders

(a) General. MMATs are permitted to enter orders only for the account of the Market Maker for which they are registered.

(b) Registration of Market Maker Authorized Traders. The Exchange may, upon receiving an application in writing from a Market Maker on a form prescribed by the Exchange, register a person as a MMAT.

(1) MMATs may be officers, partners, employees or other associated persons of Members that are registered with the Exchange as Market Makers.

(2) To be eligible for registration as a MMAT, a person must successfully complete the General Securities Representative Examination (Series 7) or equivalent foreign examination module approved by the Exchange and any other training and/or certification programs as may be required by the Exchange.

(3) The Exchange may require a Market Maker to provide any and all additional information the Exchange deems necessary to establish whether registration should be granted.

(4) The Exchange may grant a person conditional registration as a MMAT subject to any conditions it considers appropriate in the interest of maintaining a fair and orderly market.

(5) A Market Maker must ensure that a MMAT is properly qualified to perform market making activities, including, but not limited to, ensuring the MMAT has met the requirements set forth in paragraph (b)(2) of this Rule.

(c) *Suspension or Withdrawal of Registration.*

(1) The Exchange may suspend or withdraw the registration previously given to a person to be a MMAT if the Exchange determines that:

(A) the person has caused the Market Maker to fail to comply with the securities laws, rules and regulations or the By-Laws, Rules and procedures of the Exchange;

(B) the person is not properly performing the responsibilities of a MMAT;

(C) the person has failed to meet the conditions set forth under Paragraph (b) above; or

(D) the MMAT has failed to maintain fair and orderly markets.

(2) If the Exchange suspends the registration of a person as a MMAT, the Market Maker must not allow the person to submit orders into the System.

(3) The registration of a MMAT will be withdrawn upon the written request of the Member for which the MMAT is registered. Such written request shall be submitted on a form prescribed by the Exchange.

Rule 11.20. Registration of Market Makers in a Security

(a) A Market Maker may become registered in a newly authorized security or in a security already admitted to dealings on the Exchange by filing a security registration form with the Exchange. Registration in the security shall become effective on the same day as the Exchange's approval of the registration, unless otherwise provided by the Exchange. In considering the approval of the registration of the Market Maker in a security, the Exchange may consider:

(1) the financial resources available to the Market Maker;

(2) the Market Maker's experience, expertise and past performance in making markets, including the Market Maker's performance in other securities;

(3) the Market Maker's operational capability;

(4) the maintenance and enhancement of competition among Market Makers in each security in which the Market Maker is registered;

(5) the existence of satisfactory arrangements for clearing the Market Maker's transactions; and

(6) the character of the market for the security, e.g., price, volatility and relative liquidity.

(b) Voluntary Termination of Security Registration. A Market Maker may voluntarily terminate its registration in a security by providing the Exchange with a written notice of such termination. The Exchange may require a certain minimum, prior notice period for such termination, and may place such other conditions on withdrawal and re-registration following withdrawal, as it deems appropriate in the interest of maintaining fair and orderly markets. A Market Maker that fails to give advanced written notice of termination to the Exchange may be subject to formal disciplinary action pursuant to Chapter VIII of these Rules.

(c) The Exchange may suspend or terminate any registration of a Market Maker in a security or securities under this Rule 11.20 whenever the Exchange determines that:

(1) The Market Maker has not met any of its obligations as set forth in these Rules; or

(2) The Market Maker has failed to maintain fair and orderly markets. A Market Maker whose registration is suspended or terminated pursuant to this Rule 11.20(c) may seek review under Chapter X of Exchange Rules governing adverse action.

(d) Nothing in this Rule 11.20 will limit any other power of the Exchange under the By-Laws, Rules or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule 11.20.

Rule 11.21. Obligations of Market Makers

(a) General. Members who are registered as Market Makers in one or more securities traded on the Exchange must engage in a course of dealings for their own account to assist in the maintenance, insofar as reasonably practicable, of fair and orderly markets on the Exchange in accordance with these Rules. The responsibilities and duties of a Market Maker specifically include, but are not limited to, the following:

(1) Maintain continuous, two-sided quotations consistent with the requirements of paragraph (d) below;

(2) Remain in good standing with the Exchange and in compliance with all Exchange Rules applicable to it;

(3) Inform the Exchange of any material change in financial or operational condition or in personnel;

(4) Maintain a current list of MMATs who are permitted to enter orders on behalf of the Market Maker and provide an updated version of this list to the Exchange upon any change in MMATs; and

(5) Clear and settle transactions through the facilities of a registered clearing agency. This requirement may be satisfied by direct participation, use of direct clearing services or by entering into a correspondent clearing arrangement with another Member that clears trades through such agency.

(b) A Market Maker shall be responsible for the acts and omissions of its MMATs.

(c) If the Exchange finds any substantial or continued failure by a Market Maker to engage in a course of dealings as specified in paragraph (a) of this Rule, such Market Maker will be subject to disciplinary action, including, without limitation, suspension or revocation of its registration by the Exchange in one or more of the securities in which the Market Maker is registered. Nothing in this Rule 11.21 limits any powers of the Exchange under the By-Laws, Rules or procedures of the Exchange with respect to the registration of a Market Maker or in respect of any violation by a Market Maker of the provisions of this Rule 11.21. Any Member aggrieved by any determination under this Rule 11.21 may seek review under Chapter X of the Exchange Rules governing adverse action.

(d) Quotation Requirements and Obligations

(1) *Continuous, Two-Sided Quote Obligation.* For each security in which a Member is registered as a Market Maker, the Member shall be willing to buy and sell such security for its own account on a continuous basis during Regular Trading Hours and shall enter and maintain a two-sided trading interest ("Two-Sided Obligation") that is displayed in the Exchange's System at all times. Interest eligible to be considered as part of a Market Maker's Two-Sided Obligation shall have a displayed quotation size of at least one normal unit of trading (or a larger multiple thereof); provided, however, that a Market Maker may augment its Two-Sided Obligation size to display limit orders priced at the same price as the Two-Sided Obligation. Unless otherwise designated, a "normal unit of trading" shall be 100 shares. After an execution against its Two-Sided Obligation, a Market Maker must ensure that additional trading interest exists in the System to satisfy its Two-Sided Obligation by immediately entering new interest to comply with this obligation to maintain continuous, two-sided quotations.

(2) Pricing Obligations. For NMS stocks (as defined in Rule 600 of Regulation NMS), a Market Maker shall adhere to the pricing obligations established by this Rule during Regular Trading Hours; provided, however, that such pricing obligations (i) shall not commence during any trading day until after the first regular way transaction on the primary listing market in the security as reported by the responsible single plan processor, and (ii) shall be suspended during a trading halt, suspension or pause, and shall not re-commence until after the first regular way transaction on the primary listing market in the security following such halt, suspension or pause, as reported by the responsible single plan processor.

(A) Bid Quotations. At the time of entry of bid interest satisfying the Two-Sided Obligation, the price of the bid interest shall be not more than the Designated Percentage away from the then current NBB, or if no NBB, not more than the Designated Percentage away from the last reported sale as reported by the responsible single plan processor. In the event that the NBB (or if no NBB, the last reported sale) increases to a level that would cause the bid interest of the Two-Sided Obligation to be more than the Defined Limit away from the NBB (or if no NBB, the last reported sale), or if the bid is executed or cancelled, the Market Maker shall enter new bid interest at a price not more than the Designated Percentage away from the then current NBB (or if no NBB, the last reported sale).

(B) Offer Quotations. At the time of entry of offer interest satisfying the Two-Sided Obligation, the price of the offer interest shall be not more than the Designated Percentage away from the then current NBO, or if no NBO, not more than the Designated Percentage away from the last reported sale reported by the responsible single plan processor. In the event that the NBO (or if no NBO, the last reported sale) decreases to a level that would cause the offer interest of the Two-Sided Obligation to be more than the Defined Limit away from the NBO (or if no NBO, the last reported sale), or if the offer is executed or cancelled, the Market Maker shall enter new offer interest at a price not more than the Designated Percentage away from the then current NBO (or if no NBO, the last reported sale).

(C) The NBB and NBO, as defined in Rule 1.5, shall be determined by the Exchange in accordance with its procedures for determining Protected Quotations under Rule 600 of Regulation NMS.

(D) For purposes of this Rule, the term "Designated Percentage" shall mean 8% with respect to securities included in the S&P 500[®] Index and the Russell 1000[®] Index, as well as a pilot list of Exchange Traded Products for securities subject to an individual stock pause trigger under the applicable rules of a primary listing market ("Original Circuit Breaker Securities"). For times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market, the Designated Percentage shall be 20% for Original Circuit Breaker Securities.

(E) The Designated Percentage shall be 28% for all NMS securities that are not Original Circuit Breaker Securities with a price equal to or greater than \$1, and 30% for all NMS securities that are not Original Circuit Breaker Securities with a price less than \$1.

(F) For purposes of this Rule, the term “Defined Limit” shall mean 9.5% for Original Circuit Breaker Securities. For times during Regular Trading Hours when stock pause triggers are not in effect under the rules of the primary listing market, the Defined Limit shall be 21.5% for Original Circuit Breaker Securities.

(G) The Defined Limit shall be 29.5% for all NMS securities that are not Original Circuit Breaker Securities with a price equal to or greater than \$1, and 31.5% for all NMS securities that are not Original Circuit Breaker Securities with a price less than \$1.

(H) Nothing in this Rule shall preclude a Market Maker from quoting at price levels that are closer to the NBBO than the levels required by this Rule.

(I) The minimum quotation increment for quotations in the system of \$1.00 or above shall be \$0.01. The minimum quotation increment in the System for quotations below \$1.00 shall be \$0.0001.

Interpretation and Policies

.01 The obligation of a Market Maker pursuant to Rule 11.21(a)(3) to “inform the Exchange of any material change in financial or operational condition” includes the requirement to submit a copy to the Exchange of a notice sent to the Securities and Exchange Commission (“SEC”) pursuant to Rule 17a-11 under the Exchange Act. The notice to the Exchange must be sent concurrently with the notice sent to the SEC. See also, EDGA Rule 4.2.

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CHAPTER XIV. SECURITIES TRADED

Rule 14.1. Unlisted Trading Privileges

(a) (No change in text.)

(b) (No change in text.)

(c) (No change in text.)

(1)-(4) (No change in text.)

(5) Market Maker Restrictions. The following restrictions shall apply to each Member registered as a Market Maker on the Exchange ("Restricted Market Maker") in a UTP Derivative Security that derives its value from one or more currencies, or commodities, or derivatives based on one or more currencies, or commodities, or is based on a basket or index comprised of currencies or commodities (collectively, "Reference Assets"):

(A) A Restricted Market Maker in a UTP Derivative Security is prohibited from acting or registering as a market maker on another exchange in any Reference Asset of that UTP Derivative Security, or any derivative instrument based on a Reference Asset of that UTP Derivative Security (collectively, with Reference Assets, "Related Instruments").

(B) A Restricted Market Maker shall, in a manner prescribed by the Exchange, file with the Exchange and keep current a list identifying any accounts ("Related Instrument Trading Accounts") for which Related Instruments are traded:

- (i) in which the Restricted Market Maker holds an interest;
- (ii) over which it has investment discretion; or
- (iii) in which it shares in the profits and/or losses.

A Restricted Market Maker may not have an interest in, exercise investment discretion over, or share in the profits and/or losses of a Related Instrument Trading Account which has not been reported to the Exchange as required by this Rule.

(C) In addition to the existing obligations under Exchange rules regarding the production of books and records, a Restricted Market Maker shall, upon request by the Exchange, make available to the Exchange any books, records or other information pertaining to any Related Instrument Trading Account or to the account of any registered or non-registered employee affiliated with the Restricted Market Maker for which Related Instruments are traded.

(D) A Restricted Market Maker shall not use any material, non-public information in connection with trading a Related Instrument.

[(5)] (6) Surveillance. The Exchange shall enter into a comprehensive surveillance sharing agreement with other markets that offer trading [components of the index or portfolio on which the UTP Derivative Security is based]in Related Instruments to the same extent as the listing exchange's rules require the listing exchange to enter into a comprehensive surveillance sharing agreement with such markets.

Interpretations and Policies
.01 (No change in text.)

(a)-(b) (No change in text.)

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