NYSE Chicago Order Types Primer

The NYSE Chicago Order Types Primer is informational and summarizes the order types and modifiers offered by the Exchange and the general operation of the Exchange's automated trading facility, the Matching System. The contents of this document are <u>not</u> NYSE Chicago Rules. This document is <u>not</u> a contract or warranty of any kind. This document was last updated on <u>08/16/2018</u> and may not represent the most recent changes to NYSE Chicago functionality. For the most up to date information, please refer to NYSE Chicago Rules, Rule Filings and Legal Notices.

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Order Types and Modifiers

The following is a list of key NYSE Chicago order types and modifiers with summarized definitions. For a complete description of NYSE Chicago order types and modifiers, please refer to Article 1, Rule 2 of NYSE Chicago Rules. The Exchange has the discretion to disable certain order types and/or modifiers pursuant to notice. Order types and modifiers currently accepted by the NYSE Chicago Matching System are listed under the relevant Information Memorandum.

General Order Types

Limit order: an order to buy or sell a specific amount of a security at a specified price or better if obtainable once the order has been submitted to the market.

Cross order: an order to buy and sell the same security at a specific crossing price. A cross order may not trade-through any resting limit orders. A cross order may trade-at the top-of-book if it meets the requirements for Cross With Size handling, as described under Article 1, Rule 2(g)(1) of NYSE Chicago Rules.

Market order: an order to buy or sell a specific amount of a security at the best price(s) available once the order is presented in the market, provided that it will not be permitted to trade-through the contra-side Exchange BBO. All market orders must be marked Immediate Or Cancel ("IOC") and are not routable.

Order Execution Modifiers

Benchmark: a modifier for a cross order to buy and sell the same security at a specific price, which meets the requirements of SEC Rule 611(b)(7). Only Exchange-registered Institutional Brokers may submit Benchmark orders. A Benchmark order shall be processed by the Matching System without regard to the protected quotations of away markets.

BBO Intermarket Sweep ("BBO ISO"): a limit order modifier that marks an order as required by SEC Rule 600(b)(30). An order marked BBO ISO shall be handled as if it were marked ISO.

Cancel On Halt: a limit order modifier that requires an order to be automatically cancelled by the Matching System if a trading halt or suspension is declared in that security.

Exchange Only: a limit order modifier that requires an order to be ranked and executed on the Exchange without routing away to another trading center and is eligible for the Exchange Only Price Sliding Processes. A Exchange Only order that is price slid will be assigned a Regulation NMS and Regulation SHO compliant executable price and display price (if applicable) by the Matching System upon receipt. Thereafter, the Matching System will continue to price slide the order to the extent that it could be executable and displayable (if applicable) at a more aggressive price, but shall under no circumstances price slide the order through its original limit price.

Do Not Route: a limit or market order modifier that requires an order not be routed to another market.

Intermarket Sweep ("ISO"): a limit or cross order modifier that marks an order as required by SEC Rule 600(b)(30). An ISO will be processed by the Matching System without regard to the protected quotations of away markets.

Match Trade Prevention ("MTP"): a modifier for limit and market orders to prevent certain self-trades. Specifically, an incoming limit or market order marked by an MTP modifier without an MTP sublevel designation will be prevented from executing against a resting opposite side order from the same MTP Trading Group. If the incoming order is marked by an MTP modifier with an MTP sublevel designation, the order will only be prevented from executing against a resting opposite side order from the same MTP Trading Group if the resting order is marked by the same MTP sublevel designation. MTP shall only be applicable to marketable contra-side orders that are both principal orders or are both agency orders.

Midpoint Cross: a modifier for a cross order that instructs the Matching System to execute it at the midpoint between the NBBO. If the NBBO is locked at the time a Midpoint Cross is received, the Midpoint Cross will execute at the locked NBBO. If the NBBO is crossed at the time a Midpoint Cross is received, the Midpoint Cross will be automatically cancelled.

Post Only: a limit order modifier that requires an order to be posted on the Exchange. An incoming Post Only order that would immediately execute against a resting order shall be immediately cancelled.

Price-Penetrating ISO ("PP ISO"): a limit order modifier that marks an order as required by SEC Rule 600(b)(30). An order marked PP ISO shall be handled as if it were marked ISO.

Qualified Contingent Trade ("QCT"): a modifier for a cross order that is a component order ("QCT cross") to a QCT. A QCT cross shall be processed by the Matching System without regard to the protected quotations of away markets.

Sell Short: marks any order to sell a security "short" under SEC Rule 200(g).

Short Exempt: marks any order to sell a security that is exempt from the short sale price test restriction under SEC Rule 201.

Order Display Modifiers

Always Quote: a modifier for a limit order which will cause the NYSE Chicago Matching System to cancel the unexecuted balance of an otherwise displayable order, where the unexecuted balance is an Odd Lot and priced at the NYSE Chicago best bid or best offer and the order cannot be displayed as part of an aggregated quote because there are no other orders on the Exchange book with which such an order can be aggregated.

Do Not Display: a modifier, for orders of at least 1,000 shares when entered, that requires the order not be displayed in whole. All limit orders marked Do Not Display resting on the Exchange book shall be handled as Exchange Only, even if such orders were not originally marked Exchange Only, which cannot be overridden by an order sender.

Reserve Size: a modifier that identifies a portion of the order that should be displayed and a portion of the order that should not be displayed, along with an instruction that the displayed portion should be refreshed to the original display quantity (or the remaining number of shares, if less) whenever the displayed share size falls below a specified threshold.

Order Duration ("Time-In-Force") Modifiers

Day: a modifier that requires an order to be in effect only for the day on which it is submitted to the Exchange. An order sender may instruct that the Day order be eligible for one or more consecutive specified trading sessions within the trading day.

Fill Or Kill ("FOK"): a modifier that requires an order to be executed in full and for limit orders, at or better than its limit price, as soon as the order is received by the Matching System; provided that an FOK order will be immediately cancelled in full if it cannot be executed in full.

Good 'Til Date ("GTD"): a modifier that requires an order to be executed, in whole or in part, within a specified time period, with any unexecuted balance of the order to be immediately cancelled at the end of the specified time period. No order marked GTD shall be in force longer than the trading day on which it is received.

Immediate Or Cancel ("IOC"): a modifier that requires an order to be executed, either in whole or in part and for limit orders, at or better than its limit price, as soon as the order is received by the Matching System, with any unexecuted balance of the order to be immediately cancelled.

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Ranking, Display and Executing Orders

The following is a summary of the processes by which the Matching System ranks, displays and executes orders.

Ranking Orders

Limit orders resting on the Exchange book receive execution priority in <u>Working Price/display status/time priority</u>, without exception.[1] As such, a resting single-sided limit order will maintain its rank on the Exchange book relative to other resting order(s) at the time it was initially received and will never yield execution priority to inferiorly ranked order(s), so long as the resting order had not been cancelled or modified (other than decremented in size). By definition, market and cross orders cannot rest on the Exchange book as they are always handled IOC.

Mechanically, every buy (sell) order accepted by the Matching System that will post to the Exchange book will be ranked at each price point up (down) to its limit price by display status then sequence number. This permits an order to maintain time priority at each price point, regardless of the number of times the order is price slid pursuant to one of the Exchange's two price sliding functionalities: Exchange Only and Limit Up-Limit Down Price Sliding.

All limit orders ranked on the Exchange book are categorized into one of three display status pools, listed below by execution priority:

(1) Fully-displayable orders and displayed portions of Reserve Size orders.
(2) Undisplayed portion of Reserve Size orders.

(3) Orders marked Do Not Display.

Each order accepted by the Matching System has one display status, depending on the order display modifier attached to the order, except for Reserve Size orders, which have a displayed portion and an undisplayed portion requiring Reserve Size orders to be categorized into two separate display status pools. Thus, Reserve Size orders will receive two different sequence numbers, each corresponding to one of two display status pools. A refreshed displayed portion of a Reserve Size order will result in the displayed portion losing time priority within the displayed portion display status pool, whereas the corresponding decrement of the undisplayed portion will not result in the undisplayed portion losing time priority within the undisplayed portion display status pool.

With respect to orders routed away from the Matching System, an unexecuted remainder of a routed order returned to the Matching System in one or more parts shall be added to the existing balance of the related order already posted to the Exchange book. If no balance exists at the time an unexecuted remainder of a routed order is returned to the Matching System, it shall be treated as a new incoming order.

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[1] The Working Price of an order is the most aggressive price at which the order could execute in compliance with NYSE Chicago Rules and all applicable laws and regulations, including Regulation NMS and Regulation SHO. Thus, the Working Price of an unslidable limit order posted to the Exchange book will always be its limit price, whereas a price slid order may have a Working Price less aggressive than its limit price. The distinction is made to clarify that hypermarketable orders received by the Exchange (i.e., buy (sell) order priced through the National Best Offer (National Best Bid)) that are price slid to a less aggressive price will receive execution priority based not on its hypermarketable limit price, but rather, its less aggressive Working Price.

Display of NYSE Chicago Best Bid and Offer ("NYSE Chicago BBO")

Displayable or partially-displayable orders may only be displayed at its limit price; provided, however, that price slid limit orders may be displayed at a price less aggressive than its limit price. The most aggressively priced displayable and partially-displayable resting orders on the Exchange book at a single price point shall be aggregated and displayed as the NYSE Chicago BBO, so long as the aggregate size of the orders displayable at that price point is for at least a Round Lot. If the aggregate size of orders that comprise the NYSE Chicago BBO are for a Mixed Lot, the NYSE Chicago BBO will be rounded down to the nearest integer multiple of a Round Lot for display purposes. The aggregation and display of orders have no impact on the rank of the orders for execution priority purposes.

Executing Orders

An incoming order shall be matched against one or more resting limit orders in the Matching System, in the order in which the resting orders are ranked on the Exchange book (i.e., Working Price/display status/time priority), at the Working Price of each resting order, for the full amount of shares available at that price, or for the size of the incoming order, if smaller.

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