



**AEQUITAS NEO EXCHANGE  
REQUEST FOR COMMENTS  
TRADING POLICIES AMENDMENTS**

**March 29, 2018**

**Introduction**

Aequitas NEO Exchange Inc. (“NEO Exchange”) is publishing proposed amendments (the “Proposed Amendments”) to the NEO Exchange trading policies (the “Trading Policies”) in accordance with Schedule 5 to its recognition order, as amended (the “Protocol”). As required under the Protocol, the Proposed Amendments were filed with the Ontario Securities Commission (“OSC”). They include “Public Interest Rules”, which are being published for comment, and “Housekeeping Rules”, both as defined under the Protocol. The Proposed Amendments are set out below and, subject to any adjustments resulting from comments received, they will be effective in September, 2018.

**Summary**

The high level summary of our proposal is set out here (with further detail in the sections that follow).

**Changes to matching priorities to benefit of NEO Traders™**

Currently, the NEO-L<sup>1</sup> matching priorities allow resting orders from NEO Trader™ accounts to trade before resting orders from Latency Sensitive Trader (LST) accounts at the same price. This has proven to be a very effective way of reducing unnecessary intermediation and we are therefore proposing to apply the same matching priorities to NEO-N<sup>2</sup> (and to NEO-D: see below). We are also seeking to make changes to the benefits provided to Designated Market Makers (DMMs) so that they would no longer have the ability to receive priority over NEO Trader™ orders, again with the intention of reducing unnecessary intermediation. The additional, combined impact of these amendments will be to simplify NEO Exchange’s market structure by making the matching priorities in all trading books more similar.

These changes to matching priorities are summarized in the table below.

NEO-L		NEO-N	
Current	Proposed	Current	Proposed
Price	Price	Price	Price
<i>DMM*</i>		<i>DMM*</i>	
Broker	Broker	Broker	Broker
a) NEO Trader™	a) NEO Trader™		a) NEO Trader™
b) LST	b) <i>DMM*</i>		b) <i>DMM*</i>
	c) LST		c) LST

<sup>1</sup> Previously referred to as the Lit Book.

<sup>2</sup> Previously, the NEO Book.

NEO Trader™	NEO Trader™
	DMM*
LST	LST

	NEO Trader™
Other	DMM*
	LST

**TIME priority is applied within each category**

**SIZE-TIME priority is applied within each category**

\* DMM orders get priority only if they have traded less than a certain percentage (currently 15%) of the volume in that security that day. Otherwise their orders are treated like any other LST order. The benefit only applies to visible orders and is subject to the DMM meeting quoting obligations in both books.

### **Implementation of a separate dark book (NEO-D)**

The previously-approved Dark Book has not been launched, and prior to doing so we re-thought some of the features and functionality. In introducing NEO-D we are proposing to launch something that looks slightly different than what was originally intended. To assist in reviewing the amendments to the Trading Policies, which reflect what has technically changed, we summarize the key features of NEO-D as follows:

- All trading will occur at the midpoint
- All orders will be immediately executable upon entry (subject to order constraints)
- All participants will be able to enter passive orders, but liquidity taking will be restricted to orders from NEO Trader™ accounts
- The matching priority will follow the same sequence as NEO-N (see above), except that there are no DMM benefits (or obligations) in NEO-D
- We plan to implement a no rebate fee structure for NEO-D (i.e., take-take)

	<b>Active (IOC)</b>	<b>Passive (mid-point)</b>
<b>Eligibility</b>	Only IOC/FOK orders from NEO Trader™ IDs are eligible	Only mid-point orders (with or without a limit), from all types of participant IDs, are eligible.
<b>MAQ option</b>	Single fill only	Single fill only
<b>Counterparty Election</b>	N/A	Option for sender to indicate type of order flow they will interact with by use of order tag (Matching State Participation): 1 = Active Orders Only (IOC/FOK only) 2 = Passive Orders Only 3 = Both Active and Passive Orders (default) <i>Orders from LST accounts will be restricted to only trade with active orders (Matching State Participation = 1)</i>
<b>Matching</b> (subject to order constraints)	Immediate	Immediate, or after each NBBO recalculation

We believe that the combination of our unique matching priorities, simple order types and greater certainty around the type of flow to be interacted with will create a differentiated dark pool in Canada to the benefit of natural investors.

### **Other changes**

We are also taking this opportunity to make drafting edits and clarifications throughout the Trading Policies, including to update the names of our trading books, and to delete references to functionality that was initially contemplated but never implemented (most notably the Market Maker Commitment,

National Best Pegged Orders and On-Stop Orders).

Capitalized terms not defined herein are found in Section 1.01 of the Trading Policies.

## **Detailed description of the Proposed Amendments**

### ***I. Public Interest Rules***

The proposed changes to the Public Interest Rules are set out below.

- (a) Changes to the continuous trading session priorities for each of the Trading Books in Sections 6.07(2), 7.04 (4) and 8.04(3).
- (b) Amendments to various dark features and functionality:
  - Changes in Section 1.01 to the definition of “Closing Price” to include NEO-D.
  - Deletion of the National Best/Pegged Order functional attributes from Section 5.07(3) and the reference to such orders in Section 8.06.
  - Amendments to the description of Contra Election in Section 7.02 and its application in Section 7.03.
  - Deletion of descriptions of Mid-Point Call and Size-Up Call and the references to these call auctions throughout Part VII.
- (c) Deletion of the definition of “Market Maker Commitment”, and removal of the concept throughout (Sections 6.07, 8.04, 8.06 and 10.03).
- (d) Deletion of descriptions of On-Stop and Trailing On-Stop orders from Sections 6.02 and 8.02.

### ***II. Housekeeping Rules***

- (a) Replacement of Lit Book, NEO Book™ and Dark Book with NEO-L, NEO-N and NEO-D, respectively.
- (b) Clarification to the “Market Maker Volume Allocation/MMVA” definition to state that an order will “receive queue priority”, as opposed to “participate in the next trade”.
- (c) Update to “NBBO” definition to refer to all “protected” marketplaces to align with the definition of the equivalent term in UMIR.
- (d) Corrections to reflect that the concept of an opening price only exists when there is an Opening Call, and that Trading Books without an Opening Call do not have an Opening Price. This has always been the case (the error was noted in preparing for our first corporate issuers).
- (e) Drafting changes to the Mid-Point Pegged Order attributes in Section 5.07(3) to simplify the description and reinforce the difference between current visible mid-points in NEO-N (which are further described in Section 8.06) and non-visible mid-points.
- (f) Re-positioning of the description of Minimum Acceptable Quantity Match Type (MAQ) functionality from Section 5.07(3) to Section 7.02, as the functionality will only exist in NEO-D, with a minor edit.
- (g) Simplification of the wording regarding order interaction restrictions in Section 7.04(1).
- (h) Drafting edits for consistency in use of defined terms (“Exchange Systems”, “Last Traded Price” versus last traded price on a particular book).
- (i) Removal of a reference to connectivity to an away marketplace in the guidance in Part XI, as it was applicable to our discontinued smart order router solution.

## **Expected Date of Implementation of the Public Interest Rules**

We are planning to implement the Public Interest Rules in September, 2018.

## **Rationale for the Public Interest Rules and Relevant Supporting Analysis**

### **(a) Changes to matching priorities to benefit of NEO Traders™**

In the Proposed Amendments, the MMVA no longer has priority over NEO Trader™ orders. Otherwise, the priorities remain the same in NEO-L.<sup>3</sup> For NEO-N and NEO-D, NEO Trader™ priority is enhanced in a similar way but, as is the case currently, with the addition of Size-Time priority.<sup>4</sup> These changes are being sought to further support trading by natural investors and also provide integrated dealers with a market-enabled solution that always gives client orders priority over DMM orders.

Another reason for the reduction of the MMVA priority for DMMs is that we have noted the resurgence of market making by bank-owned dealers. As they already have the benefit of broker preferencing we felt it was not necessary to also give them additional queue priority on top of that. We recognize that for independent DMMs this represents a slight reduction in their benefits but, in our view, reducing unnecessary intermediation is important to the market overall. It should be noted that DMMs will still have queue benefit in relation to their LST peers. We will continue to look at ways to incentivize market making while avoiding over-intermediation, including the possibility of increasing the MMVA % now that the DMM benefit is only in relation to LSTs.

The following examples show the sequence in which orders in NEO-L<sup>5</sup> will execute based on our current matching priorities and the proposed model.

Consider that the bid side of the order book consists of four orders at the same price, sorted by time priority (O1 arrived first and O4 arrived last).

	<b>Dealer</b>	<b>Type</b>
O1	A	LST
O2	B	DMM
O3	C	NEO Trader™
O4	B	NEO Trader™

### **Example 1: Sell order arrives from Dealer D (no broker preferencing) and no DMM priority**

In this example we are assuming that the DMM has traded more than 15% of the volume that day and as such is not eligible for any queue priority benefits. The same would apply if the DMM has not met its quoting obligations.

<sup>3</sup> price / broker (NEO Trader™ first if more than one) / NEO Trader™ / time

<sup>4</sup> price / broker (NEO Trader™ first + Size-Time) / NEO Trader™ + Size-Time / Size-Time

<sup>5</sup> NEO-N will behave in the same way as NEO-L in the examples, except that within a participant type (i.e. if there are two NEO Trader™ orders at the same price) Size-Time determines the relative ranking instead of strict time priority and NEO-D will behave in the same way as NEO-N, except that there is no DMM priority (since DMMs do not have obligations or benefits in NEO-D).

Current behaviour

	Dealer	Type
02	C	NEO Trader™
03	B	NEO Trader™
01	A	LST
02	B	DMM

Proposed behaviour

	Dealer	Type
03	C	NEO Trader™
04	B	NEO Trader™
01	A	LST
02	B	DMM

The current model already has NEO Trader™ priority and since the DMM does not have any queue benefits in this example (trades in its current queue position relative to other LST orders) the proposed model will behave the same.

**Example 2:** Sell order arrives from Dealer D (no broker preferencing) and DMM priority is in effect

In this example we are assuming that the DMM has traded less than 15% of the volume that day (and has met its quoting obligations) and is therefore eligible to receive queue priority.

Current behaviour

	Dealer	Type
02	B	DMM
03	C	NEO Trader™
04	B	NEO Trader™
01	A	LST

Proposed behaviour

	Dealer	Type
03	C	NEO Trader™
04	B	NEO Trader™
02	B	DMM
01	A	LST

In the proposed model, if broker preferencing does not apply, all NEO Trader™ orders trade first. DMMs still get priority over LST orders if they have traded less than 15%.

**Example 3:** Sell order arrives from Dealer B (broker preferencing) and DMM priority is in effect

In this example we are again assuming that the DMM has traded less than 15% of the volume that day (and has met its quoting obligations) and is therefore eligible to receive queue priority.

Current behavior

	Dealer	Type
02	B	DMM
04	B	NEO Trader™
03	C	NEO Trader™
01	A	LST

Proposed behavior

	Dealer	Type
04	B	NEO Trader™
02	B	DMM
03	C	NEO Trader™
01	A	LST

In the proposed model, within broker preferencing the DMM will always trade after NEO Trader™ orders.

(b) Implementation of a separate dark book (NEO-D)

NEO Exchange revisited the previously-approved Dark Book functionality and we determined that, at this stage of evolution of dark trading in Canada, certain revisions would be beneficial.

- We didn't seek to address the omission of NEO-D from the definition of "Closing Price" until the decision was made to proceed with implementation, and have therefore included it in the Proposed Amendments.
- The National Best/Pegged Order is most suited to professional traders with high order-to-trade

ratios. As we continue to focus on simplifying NEO Exchange's product offerings and adding functionality for natural investors, we made the decision to remove this optional order type. This functionality was never implemented.

- The amendments to the description of Contra Election include a proposed substantive change (and drafting clarifications). The substantive change is to generally broaden the user's choices: execute against all orders, against only Liquidity Taking Orders or against only Liquidity Providing Orders; the current provisions restrict Liquidity Providing Orders from trading against each other. The Proposed Amendments also clarify that Liquidity Providing Orders may originate from any type of account; however, it is also clarified that the Contra Election is not available to orders originating from LST accounts, which are limited to entering Liquidity Providing Orders only. This restriction will bring in a new concept to the Canadian markets, but we feel that with several years of experience with protected and unprotected marketplaces and evidence that sophisticated traders can choose the marketplaces that serve them best, it is a positive step to provide this alternative in a dark pool. These changes are proposed to expand dark functionality options for all types of traders while continuing to focus on providing better trading experiences for natural investors.
- We have decided not to implement the Mid-Point Call and Size-Up Call in the first iteration of NEO-D while we reassess the value proposition for call auctions and, as a result, their descriptions are deleted from the list of additional orders and modifiers available in NEO-D in the Proposed Amendments.

(c) Deletion of Market Maker Commitment (MMC)

Consistent with a number of other items above, we are seeking to discontinue the MMC functionality to align with our continued focus on trading among natural investors. This functionality was never implemented. We believe there is value in such functionality for liquidity support but have decided to continue to address market making in other ways.

(d) Deletion of On-Stop and Trailing On-Stop Orders

We removed these order types as they were never implemented and we have no plans to do so in the near term. We are concerned that the risks associated with On-Stop orders are generally not very well understood by retail investors.

**Expected Impact of the Proposed Amendments on Market Structure, Members, Investors, Issuers and Capital Markets**

We expect a positive impact on members, investors and issuers and, as a result, on the capital markets due to further prioritizing orders from investors, and further reducing unnecessary intermediation while continuing to provide options for all types of traders. We do not expect any impact on market structure.

**Impact on Exchange's Compliance with Ontario Securities Law and on Requirements for Fair Access and Maintenance of Fair and Orderly Markets**

There would be no foreseeable impact on compliance with securities law generally or fair access.

**Impact on the Systems of Members or Service Vendors**

The majority of the Proposed Amendments are not expected to impact the systems of members or service

vendors. As it has not yet been implemented, dealers and vendors will be required to do integration work for NEO-D to use the functionality. We will ensure we assess readiness prior to setting the implementation date.

### **New Feature or Rule**

The Proposed Amendments do not bring in new rules to the Canadian market, but there are changes in features: the additional NEO Trader™ priority, which we already had in place but have expanded, and the concepts of the counterparty election and the limitation on LSTs to only providing (not taking) liquidity in NEO-D.

### **Text of the Public Interest Rules**

The text of the proposed Public Interest Rules is attached at Appendix A.

### **Comments**

Comments should be provided, in writing, no later than April 30, 2018 to:

Cindy Petlock  
Chief Legal Officer & Corporate Secretary  
Aequitas NEO Exchange Inc.  
155 University Avenue, Suite 400  
Toronto, ON M5H 3B7  
e-mail: [legal@aequin.com](mailto:legal@aequin.com)

with a copy to:

Market Regulation Branch  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8  
e-mail: [marketregulation@osc.gov.on.ca](mailto:marketregulation@osc.gov.on.ca)

Please note that, unless confidentiality is requested, all comments will be made publicly available.

## APPENDIX A

### TEXT OF PROPOSED PUBLIC INTEREST RULE AMENDMENTS NEO EXCHANGE TRADING POLICIES

#### PART I. DEFINITIONS AND INTERPRETATIONS

##### 1.01 Definitions

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“Closing Price” means:

...

~~(3) with respect to NEO-D, the price of the last trade that occurred at or prior to the end of the Continuous Trading Session in NEO-D.~~

....

~~“Market Maker Commitment” or “MMC” has the meaning set out in Section 10.03(2)(d).~~

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#### PART V. OVERVIEW OF TRADING BOOKS AND TRADING ON THE EXCHANGE

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##### 5.07 Order Types and Order Modifiers (available in all Trading Books)

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###### (3) Order Modifiers - Functional Attributes

~~*National Best/  
Pegged Order*~~

~~A Limit Order that, after entry into the Exchange Systems, the price of which is automatically adjusted by the Exchange Systems in response to changes in the NBB (NBO) for a buy (sell) order. A price cap may be specified setting the maximum (minimum) price of a buy (sell). In addition, a peg offset from the NBB (NBO) can be specified by the user.~~

~~A National Best order pegged to an offset within the NBBO will be a non-visible order, except in the NEO Book™ where the volume of the order is displayed at the NBBO.~~

~~A National Best order pegged to the NBB (NBO) or an offset with a worse price relative to the NBB (NBO) may be visible or non-visible depending on (i) the Trading Book on which it is entered and (ii) the security being traded. The Exchange will publish by Notice to Members the securities for which National Best orders will be non-visible. All non-visible pegged orders will comply with the UMIR dark rules.~~

## Commentary

*Generally, less liquid securities will allow visible National Best orders, and more liquid securities will allow non-visible National Best orders. The Exchange will publish by Notice to Members the securities for which National Best orders will be visible.*

*In ~~the NEO Book™~~ NEO-N all pegged orders are visible orders as the volume of any price improving order is displayed at the ~~NBBO~~ NEO-N BBO.*

### *Mid-Point Pegged Order*

~~A Limit Order~~ A non-visible order, except in NEO-N as set out below that, after entry into the Exchange System, the price of which ~~the order~~ is automatically adjusted by the Exchange Systems in response to changes in the NBBO ~~with a price to~~ pegged to the mid-point of the NBBO. ~~The Exchange will publish by Notice to Members the securities for which mid-point pegged orders are not supported.~~

A Mid-Point Pegged Order ~~is a non-visible order, except in the NEO Book™~~ NEO-N is a visible order, with where the volume ~~of the order~~ is displayed at the NEO-N BBO.

The Exchange will publish by Notice to Members the securities for which Mid-Point Pegged Orders are not supported.

### *Minimum Acceptable Quantity Match Type (MAQ)*

~~A Limit Order or Market Order that has a user-defined type of minimum acceptable quantity volume restriction. The user may specify a minimum size to be filled by a single execution or multiple executions. Only applicable to non-visible orders, or the non-visible portion of price improving orders.~~

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## PART VI. TRADING IN ~~THE LIT BOOK~~ NEO-L

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### 6.02 Additional Order Modifiers Available in ~~the Lit Book~~ NEO-L

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#### (2) Order Modifiers - Functional Attributes

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##### *On-Stop*

~~An order that becomes a Limit Order or Market Order if a specified price (the stop price) is reached or exceeded.~~

...

...

##### *Trailing On-Stop*

~~An order that dynamically follows favourable market conditions for a given security by an offset provided by the user (the trailing on-stop~~

~~price). Once the trailing on-stop price is reached or exceeded the order becomes either a Limit Order with a limit price set by the user, or a Market Order.~~

...

## 6.07 Continuous Trading Session in ~~the Lit Book~~NEO-L

...

- (2) An order, other than a Special Terms Order, resting in ~~the Lit Book~~NEO-L at a particular price will be executed prior to or after any orders at the same price in accordance with the following allocation rules:
- (a) ~~Subject to MMVA and MMC, a~~A tradable order entered in ~~the Lit Book~~NEO-L will be executed in the following sequence:
- (i) against an offsetting order entered in ~~the Lit Book~~NEO-L by the same Member (if there is more than one, then against offsetting NEO Trader™ orders by the same Member according to the time priority of the offsetting order, then all other offsetting orders by the same Member, according to the time priority of the offsetting order, provided none of the orders is an anonymous or jitney order); then
- (ii) against offsetting NEO Trader™ orders in ~~the Lit Book~~NEO-L, according to the time priority of the offsetting order; then
- (iii) ~~s~~Subject to MMVA, against offsetting orders in ~~the Lit Book~~NEO-L according to time priority.

...

## PART VII. TRADING IN ~~THE DARK BOOK~~NEO-D

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### 7.02 Additional Orders and Modifiers Available in ~~the Dark Book~~NEO-D

<i>Contra Election</i>	A designation, specified by the user, that the order may execute during the Continuous Trading Session in <del>the Dark Book</del> <u>NEO-D</u> against all <del>Liquidity Taking Orders originating from NEO Trader™ accounts, Retail Customer accounts only or "None" (i.e. Mid-Point Auction participation only).</del> <u>orders, only Liquidity Taking Orders or only Liquidity Providing Orders.</u>
	Only Liquidity Providing Orders <del>may include</del> <u>support a</u> Contra Election <u>designation.</u>
<i>Mid-Point Call</i>	<del>A designation indicating that an order is eligible to participate in a Mid-Point Call.</del>
<i>Size-Up Call</i>	<del>A designation indicating interest to participate in a Size-Up Call.</del>

Minimum Acceptable  
Quantity Match Type  
(MAQ)

A Midpoint, Limit Order or Market Order that has a user-defined  
type of minimum acceptable quantity volume restriction to be  
filled by a single execution.

### 7.03 Posting Liquidity Providing Orders in ~~the Dark Book~~ NEO-D

- (1) ~~Subject to section 7.05,~~ Liquidity Providing Orders posted in ~~the Dark Book~~ NEO-D may originate from any type of account but the Contra Election designation is not available for orders from LST accounts, which will be ~~booked and will not interact with any Liquidity Providing Orders resting in the Dark Book~~ restricted to only interacting with Liquidity Taking Orders.

### 7.04 Continuous Trading Session in ~~the Dark Book~~ NEO-D

- (1) ~~Subject to section 7.05,~~ In NEO-D, only Liquidity Taking Orders originating from NEO Trader™ accounts ~~entered in the Dark Book~~ may interact with resting Liquidity Providing Orders ~~resting in the Dark Book NEO-D to remove liquidity during the Continuous Trading Session.~~ Liquidity Taking Orders from LST accounts will be rejected.

...

- (4) A Liquidity Providing Order resting in ~~the Dark Book~~ NEO-D at a particular price will be executed prior to or after any orders at the same price in accordance with the following priority rules:
  - (a) against an offsetting order entered in NEO-D by the same Member (if there is more than one, then against offsetting NEO Trader™ orders by the same Member according to Size-Time priority of the offsetting order, then all other offsetting orders by the same Member, according to Size-Time priority of the offsetting order, provided none of the orders is an anonymous or jitney order); then
  - (b) against offsetting NEO Trader™ orders in NEO-D, according to Size-Time priority of the offsetting order; then
  - ~~(a) against offsetting orders entered in the Dark Book by the same Member, according to Size-Time priority of the offsetting orders, provided neither order is a jitney order; then~~
  - ~~(b)~~ (c) against offsetting orders in ~~the Dark Book~~ NEO-D according to Size-Time priority.

### ~~7.05~~ **Mid-Point Calls in the Dark Book For Liquidity Providing Orders**

- ~~(1) A Liquidity Providing Order can be designated for participation in Dark Mid-Point Calls among Liquidity Providing Orders resting in the Dark Book.~~
- ~~(2) Automated Mid-Point Calls will occur at random times every 2-5 seconds (or as published by Notice to Members) at the mid-point of the NBBO during the Continuous Trading Session.~~
- ~~(3) A tradable order entered in the Dark Book will be executed during a Mid-Point Call in the following sequence:~~

- (a) ~~against offsetting orders entered in the Dark Book by the same Member, according to Size-Time priority of the offsetting orders, provided neither order is a jitney order; then~~
- (b) ~~against offsetting orders in the Dark Book according to Size-Time priority.~~

## 7.06—Size-Up Calls

- (1) ~~Provided that a Liquidity Providing Order is designated for participation in Size-Up Calls and meets the minimum dollar value and volume threshold as determined by the Exchange and specified by Notice, the originating Member who submitted the Liquidity Providing Order will be eligible to receive information about and participate in Size-Up Calls.~~

### **Commentary**

*The originating Member of a Liquidity Providing Order that is partially executed and whose volume, as a result, falls below the volume threshold will remain eligible to receive information about and participate in Size-Up events. An originating Member of a Liquidity Providing Order whose volume is amended down below the volume threshold will cease to be eligible to receive information about and participate in Size-Up events.*

- (2) ~~Following the completion of a Mid-Point Call, the Exchange Systems will identify eligible Liquidity Providing Orders. If eligible orders exist on both the bid and ask side, each originating Member will be notified electronically of the opportunity to participate in a Size-Up Call. For the purposes of the Size-Up Call, the execution price of the Mid-Point Call that triggered the Size-Up Call is referred to as the “**reference price**”.~~
- (3) ~~The originating Member may, within the specified time period following notification by the Exchange, commit any amount of volume to the Size-Up Call (the “**committed volume**”). Any committed volume entered after the specified time period will not be considered in the Size-Up Call.~~
- (4) ~~The originating Member may specify the price difference on either side of the reference price within which the committed volume can execute during the Size-Up Call (“**price tolerance**”).~~
- (5) ~~The execution price for the Size-Up Call (the “**execution price**”) is determined as follows:~~
  - (a) ~~where the reference price is within the NBBO at the time that the Size-Up Call is concluded, the Size-Up Call will execute at the reference price; and~~
  - (b) ~~where the reference price is at or outside the NBBO at the time that the Size-Up Call is concluded, the Size-Up Call will execute at a price that is closest to the reference price which is within the current NBBO.~~
- (6) ~~Committed volume with a price tolerance at or better than the execution price and Liquidity Providing Orders (that are designated for participation in Dark Mid-Point Calls) with a limit price at or better than the execution price are eligible to trade in the Size-Up Call.~~
- (7) ~~An order eligible to trade in the Size-Up Call will be executed in the following sequence:~~

- ~~(a) — against offsetting Liquidity Providing Orders (designated for participation in Dark Mid-Point Calls) entered by the same Member, according to Size-Time priority of the offsetting orders, provided neither order is a jitney order, then~~
- ~~(b) — against offsetting Liquidity Providing Orders (designated for participation in Dark Mid-Point Calls) according to Size-Time priority; then~~
- ~~(c) — against offsetting committed volume entered by the same Member, according to Size-Time priority of the committed volume, provided neither order is a jitney order; then~~
- ~~(d) — against offsetting committed volume according to Size-Time priority.~~
- ~~(8) — All committed volume that is not executed in the Size-Up Call is cancelled back the originating Member.~~
- ~~(9) — The Exchange may suspend the dissemination of Size-Up Call information to Members that improperly use the Size-Up Call designation.~~

**Commentary**

*Improper use of Size-Up Call designation includes where a Member uses the designation to receive Size-Up Call information without the intention to actually participate in Size-Up Calls. The Exchange does not expect that a Member that uses the designation will participate in every Size-Up Call; however, the Exchange does expect that a Member will not use the designation primarily for information gathering purposes.*

...

**PART XIII. TRADING IN ~~the NEO Book~~<sup>TM</sup>NEO-N**

...

**8.02 Additional Orders and Modifiers Available in ~~the NEO Book~~<sup>TM</sup>NEO-N**

*Iceberg* As defined in Section 6.02(2).

~~*On-Stop* As defined in Section 6.02(2).~~

~~*Trailing On-Stop* As defined in Section 6.02(2).~~

...

**8.04 Continuous Trading Session in ~~the NEO Book~~<sup>TM</sup>NEO-N**

...

- (3) A Liquidity Providing Order resting in ~~the NEO Book~~<sup>TM</sup>NEO-N at a particular price will be executed prior to or after any orders at the same price in accordance with the following priority rules:

(a) A tradable order entered in NEO-N will be executed in the following sequence:

- ~~(i) against an offsetting order entered in NEO-N by the same Member (if there is more than one, then against offsetting NEO Trader™ orders by the same Member according to Size-Time priority of the offsetting order, then all other offsetting orders by the same Member, according to Size-Time priority of the offsetting order, provided none of the orders is an anonymous or jitney order); then~~
- ~~(ii) against offsetting NEO Trader™ orders in NEO-N, according to Size-Time priority of the offsetting order; then~~
- ~~(iii) subject to MMVA, against offsetting orders in NEO-N according to Size-Time priority;~~
- ~~(a) Subject to MMVA and MMC, a tradable order entered in the NEO Book™ will be executed during the Continuous Trading Session in the following sequence:
 
  - ~~(i) against offsetting orders entered in the NEO Book™ by the same Member, according to Size-Time priority of the offsetting orders, then~~
  - ~~(ii) against offsetting orders in the NEO Book™ according to Size-Time priority;~~~~

...

## 8.06 Transparency

- (1) *Pre-Trade Transparency.* The aggregate volume of the visible portion of all orders resting in ~~the NEO Book™~~ NEO-N that are priced at or outside the NBBO, ~~other than the MMC,~~ is displayed and provided to the information processor and for dissemination on the public data feed by price level. The visible portion of order volume of: (i) all orders resting in ~~the NEO Book™~~ NEO-N that are priced at the NBBO, ~~other than MMC,~~ (ii) ~~National Best orders priced at or within the NBBO,~~ and (iii) Mid-Point Pegged Orders, is aggregated together, displayed and provided to the information processor and for dissemination on the public data feed at the NBBO price level. The non-visible portion of iceberg orders is not displayed or available to the information processor or for dissemination on the public data feed.

## PART X. GENERAL PROVISIONS REGARDING MARKET MAKING

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### 10.03 Responsibilities of Designated Market Makers for their Assigned Securities

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- (2) The responsibilities of a Designated Market Maker for an Assigned Security in the Lit Book NEO-L include:
  - ...
  - ~~(d) for Eligible Assigned Securities, utilizing the “Market Maker Commitment” or “MMC”, as follows:~~

- ~~(i) — the MMC in the Lit Book is the Designated Market Maker's commitment to trade a specified number of shares at specified price points in the Lit Book in reaction to incoming contra side orders;~~
- ~~(ii) — any MMC interest eligible to participate in an execution shall yield to all other visible and non-visible interest on the Lit Book at that price; and~~
- ~~(iii) — MMC interest may only participate once in the execution of an incoming contra side order:
 
  - ~~A. — where the visible and non-visible volume on the Lit Book at the NBBO, together with the MMC interest at the NBBO, is able to fill the incoming order in full, MMC interest will trade at the NBBO,~~
  - ~~B. — where the incoming order will trade at more than one price level on the Lit Book, MMC interest will trade at the price level which is better than the completion price of the trade, and for which there is the most MMC interest,~~
  - ~~C. — where the incoming order would not be completed on the Lit Book, MMC interest will trade at the worst price before the incoming order is cancelled or booked on the Lit Book, and~~
  - ~~D. — where the incoming order is not a Bypass Order.~~~~

### **Commentary**

*The MMC is intended to dampen intraday volatility and will only be applicable if the incoming order would otherwise have traded through multiple price levels. The system will calculate the completion price for the incoming order taking into account visible and non-visible volume (including MMC) that exists in the book. MMC volume will participate in the trade once and at the price level which provides the most price improvement to the incoming order compared to the completion price. The most price improvement means the best possible execution price for the incoming order.*

- ~~(2) — The responsibilities of a Designated Market Maker for an Assigned Security in **the NEO Book™-NEO-N** include:~~
- ~~(3)(2) (a) meeting the **NEO Book™-NEO-N** obligations as required by the applicable Designated Market Maker Agreement in **the NEO Book™-NEO-N**;~~
- ~~(b) — for Eligible Assigned Securities, utilizing the MMC, as follows:
 
  - ~~(i) — the MMC in the NEO Book™ is the Designated Market Maker's commitment to trade a specified number of shares at specified price points in the NEO Book™ in reaction to incoming contra side orders;~~
  - ~~(ii) — any MMC interest eligible to participate in an execution shall yield to all other interest on the NEO Book™ at that price; and~~
  - ~~(iii) — MMC interest may only participate once in the execution of an incoming contra side order;~~~~

- ~~A. where the other volume on the NEO Book™ at the NBBO, together with the MMC interest at the NBBO, is able to fill the incoming order in full, MMC interest will trade at the NBBO,~~
- ~~B. where the incoming order will trade at more than one price level on the NEO Book™, MMC interest will trade at the price level which is better than the completion price of the trade, and for which there is the most MMC interest,~~
- ~~C. where the incoming order would not be completed on the NEO Book™, MMC interest will trade at the worst price before the incoming order is cancelled, and~~
- ~~D. where the incoming order is not a Bypass Order.~~