



## Regulatory Circular 07-017

Date: October 31, 2007

To: ETP Holders

From: James C. Yong  
Chief Regulatory Officer

Re: **Changes to NSX Fee Schedule for Transactions  
Executed Through NSX BLADE<sup>SM</sup>**

The National Stock Exchange, Inc. ("NSX" or the "Exchange") is proposing a series of fee changes, including changes to its tape credits program and liquidity provider rebate for ETP Holders using the Order Delivery mode of order interaction as set forth in Exchange Rule 11.13(b)(2) ("Order Delivery"). In particular, Exchange Rule 16.2(b) currently provides for a 100 percent pro rata credit on market data revenues generated by transactions in Tape A, Tape B and Tape C securities except for transactions executed using Automatic Execution under Rule 11.13 (b)(1) involving certain Designated ETF Shares, and no credit on market data revenue generated by quotes in Tape A, Tape B and Tape C securities. As part of this proposal, the Exchange is restructuring its market data rebates to credit ETP Holders using Order Delivery for market data revenue derived from both transactions and from quotes. The Exchange will share 50% of its market data revenue generated by transactions and 50% of its market data revenue generated by quotes to the attributable ETP Holders using Order Delivery.<sup>1</sup> All of these market data credits will continue to be allocable to ETP Holders on a pro-rata, or symbol-by-symbol, basis based on Tape A, Tape B and Tape C revenue generated by an ETP Holder's transactions or an ETP Holder's quotes on the Exchange, as applicable.<sup>2</sup>

The Exchange is also modifying its Fee Schedule for those ETP Holders using Order Delivery providing liquidity to NSX BLADE. Currently, the Fee Schedule provides that Order Delivery ETP Holders providing liquidity on securities executed at more than \$1.00 per share will receive a rebate of \$0.0028 per share executed. The Exchange is modifying its Fee Schedule so that Order Delivery ETP Holders placing these orders will receive rebates of \$0.0026 per share executed. Moreover, if the Order Delivery ETP Holder has provided liquidity of an average of 60 million shares per trading day

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<sup>1</sup> This rule change does not affect ETP Holders using Automatic Execution under Rule 11.13(b)(1) ("AutoEx"). AutoEX ETP Holders would continue to receive 100% pro rata credit on market data revenues related to transactions unless the subject of the transaction is a Designated ETF Shares, but will not receive any market data revenues derived from quoting. Similarly, there is no change in the liquidity provider/taker fee.

<sup>2</sup> Thus, quote rebates will be allocated to those ETP Holders that have generated a quote that has earned market data credit because the quote has reached or exceeded the minimum duration required under Regulation NMS.

(excluding partial trading days) that gets executed on NSX BLADE for the calendar month, the Exchange will provide those ETP Holders with rebates of \$0.0027 per share executed.

In addition, the Exchange is modifying its Fee Schedule to simplify its liquidity provider rebate for all transactions in shares executed at less than \$1.00 per share (hereinafter "sub-dollar trades"). Currently, the Exchange provides all ETP Holders who provide liquidity with rebates for sub-dollar trades which mirror the rebates provided for orders executed at \$1.00 or more per share. The Exchange is simplifying this arrangement by providing all ETP Holders providing liquidity with a rebate equal to 0.1% of the price per share, multiplied by the number of shares, for sub-dollar trades. This rate will apply regardless of the symbols executed or the mode of order interaction selected by the ETP Holder.

The proposed Rule and Fee Schedule changes are attached to this Circular for your information and are contained in rule change proposal SR-NSX-2007-13 filed on October 26, 2007 with the Securities and Exchange Commission under Section 19(b)(3)(A) of the Securities Exchange Act of 1934. The Exchange requested that the Commission waive the 30 day operative delay and designate the proposal to be effective and operational upon filing. The Exchange understands that the proposal will be effective upon filing. A copy of this rule change filing may be found on the NSX website.

Any questions can be directed to me at 312.786.8893.



## NATIONAL STOCK EXCHANGE, INC.

### RULES OF NATIONAL STOCK EXCHANGE, INC.

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#### CHAPTER XVI.

#### Dues, Fees, Assessments and Other Charges; Tape Credits

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#### Rule 16.2. Crosses; Tape Credits

- (a) *No Change.*
- (b) *Tape Credits.*

(1) Automatic Execution Mode. ETP Holders who have selected the Automatic Execution mode of order interaction as set forth in Rule 11.13(b)(1) ("AutoEx") will receive a 100 percent pro rata [transaction] credit of gross Tape "A", "B" and "C" market data revenue associated with trading, [respectively,] except that ETP Holders will receive no such [transaction] credit for transactions that utilize [the Automatic Execution mode of order interaction as set forth in Rule 11.13(b)(1) for any] AutoEx and that involve those securities that have been identified by the Exchange as Designated ETF Shares (the "Designated ETF Shares"), the symbols of which are attached as Exhibit A to the NSX Fee Schedule. ETP Holders who have selected AutoEx will receive no credit for market data revenue associated with quoting.

(2) Order Delivery Mode. ETP Holders who have selected the Order Delivery mode of order interaction as set forth in Rule 11.13(b)(2) will receive a 50 percent pro rata credit of gross Tape "A", "B" and "C" market data revenue associated with trading and a 50 percent pro rata credit of gross Tape "A", "B" and "C" market data revenue associated with quoting.

(3) Definition of “pro rata”. For the purposes of this section, “pro rata” shall mean that an ETP Holder’s tape credit shall be based upon the percentage volume of market data revenue attributable to such ETP Holder, calculated on a symbol-by-symbol basis.

(4) Adjustments. To the extent market data revenue from Tape “A”, “B” or “C” transactions is subject to any adjustment, credits provided under this program may be adjusted accordingly. [The Exchange does not provide any credit for market data revenue derived from quotes.]

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NATIONAL STOCK EXCHANGE, INC.

NSX BLADE<sup>SM</sup>  
FEE SCHEDULE

As of October, 2007

The following reflects the Schedule of Fees (pursuant to Rule 16.1(a) and Rule 16.1(c)) for the National Stock Exchange System known as NSX BLADE<sup>SM</sup> ("NSX BLADE" or the "System"):

1. **Order Matching.** Orders in Tape "A", "B" and "C" securities that are matched in NSX BLADE will be subject to the following rebates and execution fees (computed on a monthly basis):
  - a. For orders executed at \$1.00 or more per share:
    - i. *Rebate* for adding liquidity:
      - (A). in orders in which the Automatic Execution mode of interaction specified in Rule 11.13(b)(1) is selected:
        - (1). \$0.0035 per share executed for all Designated ETF Shares (as specified in Exhibit A to this Fee Schedule).
        - (2). \$0.0030 per share executed for all other securities traded on the Exchange.
      - (B). in orders in which the Order Delivery mode of interaction specified in Rule 11.13(b)(2) is selected:
        - (1). ~~\$[0.0028]~~ 0.0026 per share executed [.] for ETP Holders who have executed less than an average of 60 million shares per trading day (excluding partial trading days) on NSX BLADE for the calendar month in which the executions occurred.

(2). **\$0.0027** per share executed for ETP Holders who have executed an average of 60 million or more shares per trading day (excluding partial trading days) on NSX BLADE for the calendar month in which the executions occurred.

ii. *No change.*

b. For orders executed at less than \$1.00 per share:

i. *Rebate* for adding liquidity:

[(A). in orders in which the Automatic Execution mode of interaction specified in Rule 11.13(b)(1) is selected:

1.] a dollar amount equal to ~~[0.35%]~~ 0.1% of the price per share [for all Designated ETF Shares,] multiplied by the number of shares executed.

[2. a dollar amount equal to **0.30%** of the price per share for all other securities traded on the Exchange multiplied by the number of shares.

(B). in orders in which the Order Delivery mode of interaction specified in Rule 11.13(b)(2) is selected: a dollar amount equal to **0.28%** of the price per share, multiplied by the number of shares executed.]

ii. *No change.*

2. *No change.*

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