



Short Sale Circuit Breaker (Rule 201) FAQs

1) What changes will Direct Edge be making to comply with Rule 201?

Direct Edge will be making changes to prevent the execution of short sale orders at or below the current National Best Bid while the short sale circuit breaker pertaining to a covered security is in effect. Direct Edge will also be making changes to accept short exempt orders. These changes will become effective on November 10, 2010.

2) How will short sale and short exempt orders be handled while the circuit breaker is in effect?

All short sale orders including ISO orders will be subject to the short sale price test restriction while the circuit breaker is in effect. IOC orders will be executed to the extent permissible and then canceled back. All other orders will be executed to the extent permissible and then depending on the re-pricing option, canceled back or re-priced to display at 1 MPV above the NBB.

Short exempt orders will NOT be subject to the short sale price test restriction and they will be handled similarly to how sell long orders are handled.

3) Will the behavior be different between EDGA and EDGX during the short sale circuit breaker?

No, both EDGA and EDGX will handle short sale orders the same way.

4) What are the re-pricing options supported while the circuit breaker is in effect? *(Updated 10/19/2010)*

All existing re-pricing options will be supported. The "Price Adjust" option will be modified to slide down to the order's limit price during a short sale circuit breaker.

Example:

During a short sale circuit breaker, a "Hide Not Slide" order to Sell Short @ 9.95 when the NBBO is 10.00 x 10.01 will be re-priced to display at 10.01. It will not be able to execute at 10.00 because of the price test restriction, but will interact with liquidity at the mid-point. As the NBB moves down, it will price slide one time to display at 10.00.

A "Price Adjust" order to Sell Short @ 9.95 will be re-priced to display at 10.01 initially when the NBBO is 10.00 x 10.01. It will price slide multiple times as the NBB moves down until it reaches its limit price of 9.95. Note in this case that the order will always be displayed and ranked at the same price.

See below for details on how to specify a re-pricing option for FIX and High Performance (HP) API. If not specified, the default will be "Price Adjust".

FIX

| Tag | Field Name | Req'd | Comments/Valid Values |
|------|----------------|-------|---|
| 9202 | SpecialOrdType | N | Re-pricing Options: S = Hide Not Slide P = Price Adjust R = Single Re-Price C = Cancel Back |

HP API

| Name | Offset | Len | Value | Notes |
|--------------------|--------|-----|-------|---|
| Special Order Type | 32 | 1 | Alpha | Re-Pricing Options: "S" = Hide Not Slide "P" = Price Adjust "R" = Single Re-Price "C" = Cancel Back |

5) Will Routing Strategies behave differently during the short sale circuit breaker?

Short sale orders using Routing Strategy ROUT, ROUE or ROUX will not be routed to the street during the short sale circuit breaker. Non IOC orders including MKT orders entered for these strategies will be executed to the extent permissible and then re-priced or canceled back based on the re-pricing option specified.

There will be no change in behavior for all other strategies.

6) How long are short sale orders of a covered security subject to the short sale price test restriction?

Once the circuit breaker for a covered security is triggered as determined by the listing market, Direct Edge will subject all short sale orders for that security to the short sale price test restriction until it is lifted by the listing market. The restriction will apply to all trading sessions including pre and post market trading.

Unless the circuit breaker is triggered erroneously, the restriction will last until the end of the next trading day, unless re-triggered on the second day.

7) What changes will be made to the order entry protocols?

Support for short exempt will be added to both FIX and High Performance (HP) API.

FIX

| Tag | Field Name | Req'd | Comments/Valid Values |
|-----|------------|-------|-----------------------|
| 54 | Side | Y | 6 = Sell Short Exempt |

HP API

| Name | Offset | Len | Value | Notes |
|--------------------|--------|-----|-------|--|
| Buy/Sell Indicator | 15 | 1 | Alpha | "E" = Short Exempt – Client affirms ability to borrow securities |

As mentioned previously in Question 4, there is no change to how re-pricing option is specified.

8) When will the changes be available for testing? (Updated 10/19/2010)

Direct Edge will be participating in the industry wide Short Sale Circuit Breaker testing on Saturday, October 23, 2010. In addition, the changes will be available for testing in Member Test environment starting Monday, October 25, 2010.